

## **AGENDA**

### **MINNETONKA ECONOMIC DEVELOPMENT AUTHORITY**

**MONDAY, OCTOBER 4, 2010**

**6:30 P.M.**

#### **COUNCIL CHAMBERS**

1. CALL TO ORDER
2. ROLL CALL: Wiersum-Hiller-Wagner-Ellingson-Allendorf-Greves-Schneider
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES: None
5. BUSINESS ITEMS
  - A. Items related to the Glenhaven TIF District:
    - 1) Resolution issuing tax increment revenue bonds for the Glen Lake project, phases I & II
    - 2) Resolution issuing tax increment revenue note

RECOMMENDATION: Adopt the resolutions (4 VOTES)
6. STAFF REPORT
7. ADJOURN

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**EDA Item #5A**  
**Meeting of October 4, 2010**

**Brief Description**                    Items related to the Glenhaven TIF District:

- 1)        Resolution issuing tax increment revenue bonds for the Glen Lake project, phases I & II
- 2)        Resolution issuing tax increment revenue note

**Recommendation**                Adopt the resolutions

**Background**

The Glen Lake Redevelopment TIF District was originally approved in 2006. There have been various contractual amendments to the redevelopment agreement as well as changes to the overall development plan. Phase I, the Exchange Building, with a mix of apartments and commercial spaces, was constructed and is fully occupied. As of September 29, 2010, work has begun on the St. Therese building, Phase II. This project provides 150 units of senior living. As of this date, there has been no improvement in the market to make the development of Phase III, Kinsel, viable.

**Request**

The Economic Development Authority (EDA) is required to act upon all documents related to tax increment financing and redevelopment agreements. Because the property sale to St. Therese has been completed and the building is under construction, the developer is requesting tax increment revenue bonds be issued for the project, as provided in the redevelopment contract between the city and the developer.

The bonds are issued with the security being the payment of increment from the properties in the redevelopment area. There is also “coverage” as part of the financing which actually anticipates 125% of the dollars needed to satisfy the bond payments. The bond payments are made to the bond holders and the additional increment received is collected by the city. As the EDA is aware, the redevelopment contract required that this coverage be used to cover expenses directly related to the redevelopment project that were paid by the city.

**Recommendation**

Staff recommends adoption of the following:

- 1) Resolution awarding the sale of, and providing the form, terms, covenants, and directions for the issuance of its tax increment revenue bonds, series 2010 (Glen Lake Project, Phase I and II). (See pages A1-A57 including official statement.)

- 2) Resolution awarding the sale of, and providing the form, terms, covenants and directions for the issuance of its taxable tax increment revenue note, series 2010B (see pages A58-A65).

Submitted through:  
John Gunyou, City Manager

Originated by:  
Julie Wischnack, AICP, Community Development Director

**ECONOMIC DEVELOPMENT AUTHORITY  
IN AND FOR THE CITY OF MINNETONKA**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION AWARDING THE SALE OF, AND PROVIDING THE FORM, TERMS,  
COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF ITS TAX INCREMENT  
REVENUE BONDS, SERIES 2010 (GLEN LAKE PROJECT, PHASES I & II)**

BE IT RESOLVED BY the Board of Commissioners (the “Board”) of the Economic Development Authority in and for the City of Minnetonka, Minnesota (the “Issuer”) as follows:

Section 1. Authorization; Award of Sale.

1.01. Authorization. The Issuer and the City of Minnetonka, Minnesota (the “City”) have heretofore approved the establishment of the Glenhaven Tax Increment Financing District (the “TIF District”) within the Glen Lake Station Housing Development and Redevelopment Project (the “Project”), and have adopted a tax increment financing plan for the purpose of financing certain improvements within the Project, all pursuant to Minnesota Statutes, Sections 469.001 to 469.047 (the “HRA Act”), sections 469.090 to 469.1081 (the “TIF Act”), and sections 469.174 to 469.1799 (the “TIF Act”). In connection with the TIF District, the Issuer entered into a Second Amended and Restated Contract for Private Redevelopment, dated as of January 4, 2010 (the “Contract”) between the Issuer, the City, and Glen Lake Redevelopment LLC (the “Redeveloper”), providing for development of, among other things, a mixed commercial and rental residential development referred to as Phase I, and a senior rental housing development referred to as Phase II. Certain responsibilities of the Redeveloper with regard to Phase II have been assigned to and assumed by Glen Lake Senior Housing, LLC (the “Phase II Subdeveloper”) pursuant to an Assignment and Assumption dated September 1, 2010 between Redeveloper and Phase II Subdeveloper (the “Assignment”).

Pursuant to Minnesota Statutes, Section 469.178 of the TIF Act, the Issuer is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Project. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. In accordance with the Contract and the TIF Act, the Issuer previously issued to Redeveloper a \$2,478,237.38 Taxable Tax Increment Revenue Note, Series 2008 (the “Exchange/Kinsel Initial Note”) and a \$1,276,263 Taxable Tax Increment Revenue Notes, Series 2010 (the “Phase II Note”), in order to finance certain costs of the Project. The Exchange/Kinsel Initial Note and the Phase II Note are referred to together as the “Initial Notes.”

Under the Contract, the Issuer agreed to refinance the Initial Notes by issuing one or more tax-exempt tax increment revenue notes or bonds, subject to satisfaction of certain conditions in the Contract. The Issuer hereby finds and determines that the conditions exist under the Contract for issuance of a tax increment revenue bond in order to partially refund the Initial Notes. To that end, the Issuer has determined to issue and sell its Tax Increment Revenue

Bonds, Series 2010 (Glen Lake Project, Phases I and II) (the “Bonds”), to refund a portion of the respective principal amounts of the Initial Notes, as further provided herein.

1.02. Sale of Bonds. The Board hereby authorizes the sale of the Bonds to the Purchaser in accordance with the terms of a proposal therefore by Purchaser. The Issuer authorizes the Executive Director, in consultation with the Issuer’s financial advisor, to accept terms and condition of sale of the Bonds, provided that the principal amount of the Bonds shall not exceed \$2,660,000 and the average interest rate shall not exceed 7.0%. The Board authorizes the President and Executive Director to execute the Bond Purchase Agreement between the Issuer and the Purchaser containing terms and conditions determined by the Executive Director. This authorization to issue the Bonds is effective without any additional action of the Board and shall be undertaken by the Executive Director on such date or dates and upon the terms and conditions deemed reasonable by the Executive Director. Without limiting the generality of the foregoing, the Executive Director is authorized to approve the original aggregate principal amount of the Bonds, to establish the terms of redemption, the principal amounts subject to redemption, and the dates of redemption of the Bonds, and to approve other terms of the Bonds which are deemed by the Executive Director to be in the best interests of the Issuer. The issuance and delivery of the Bonds shall be conclusive evidence that the Executive Director has approved the terms and provisions of the Bonds in accordance with the authority granted by this Resolution. The proceeds derived from the sale of the Bonds, and the earnings derived from the investment of such proceeds, shall be held, transferred, expended, and invested in accordance with the Bond Purchase Agreement and the terms of this Resolution.

Section 2. Definitions. In this Resolution the following terms have the following respective meanings unless the context hereof clearly requires otherwise. Capitalized terms used herein which are not defined in this Section 3 have the meanings given them in the Contract.

“Assignment” means the Assignment and Assumption dated as of September 1, 2010 between Redeveloper, as assignor, and Phase II Subdeveloper, as assignee.

“Authorized Denominations” means \$25,000, and integral multiples of \$1,000 in excess of \$25,000, notwithstanding anything to the contrary in Section 3.8(b)(8) of the Contract.

“Available Tax Increment” means (a) 95 percent of the Tax Increment derived from the Phase I Property and the Phase II Property during the six-month period preceding each Payment Date; and (b) if a Phase III Deficiency occurs on any Payment Date, then on any subsequent Payment Date after such Phase III Deficiency, Available Tax Increment includes 95% of the Tax Increment derived from the Phase III Property received as of that Payment Date, up to the amount necessary to cure the aggregate prior Phase III Deficiency. Notwithstanding anything to the contrary herein, for purposes of the February 1, 2011 Payment Date, Available Tax Increment means the amount specified in clause (a) above, less \$29,500.

“Board” means the Board of Commissioners of the Issuer.

“Bond Closing” means the date of issuance of and payment for the Bonds.

“Bond Counsel” means any attorney or firm of attorneys designated by the Issuer and nationally-recognized in the field of municipal.

“Bond Fund” means the Fund by that name created and established by Section 6.03 of this Resolution.

“Bondholder” or “Holder” means a person in whose name a Bond is registered in the Bond Register.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the Issuer and the Purchaser providing for the purchase of the Bonds, and any amendments or supplements thereto.

“Bond Register” means the register maintained as provided in Section 3.08 of this Resolution.

“Bonds” means the Tax Increment Revenue Bonds, Series 2010 (Glen Lake Project, Phases I & II).

“Bond Year” means initially the period from the date of Bond Closing to and including February 1, 2030, and thereafter each twelve month period beginning on each February 2 and ending on February 1 of the following year.

“Business Day” means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Registrar is located are authorized by law or executive order to close.

“City” means the City of Minnetonka, Minnesota.

“Code” means the Internal Revenue Code of 1986, as amended.

“Contract” means the Second Amended and Restated Contract for Private Redevelopment, dated as of January 4, 2010, between the City, the Issuer and the Redeveloper.

“County” means Hennepin County, Minnesota.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Depository” means a trust company or other fiduciary acting as a depository with respect to the Bonds.

“Excess Available Tax Increment” means, as of each February 1 Payment Date, the Available Tax Increment received by the Issuer in the previous twelve months that is in excess of the amount needed to pay debt service due on the Bonds on that February 1 Payment Date and

the immediately previous August 1 Payment Date, after taking into account any amounts then on deposit in the Bond Fund.

“Fund” means any of the funds created and described in Section 6 hereof.

“HRA Act” means Minnesota Statutes, Sections 469.001 to 469.047, as amended.

“Issuer” means the Economic Development Authority in and for the City of Minnetonka, a public body corporate and politic under the laws of Minnesota.

“Maturity” means, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the stated Maturity or by scheduled redemption or declaration of acceleration or call for redemption or otherwise.

“Outstanding” means, when used with reference to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under this Resolution except:

(a) Bonds theretofore cancelled by the Registrar or delivered to the Registrar for cancellation;

(b) Bonds and portions of Bonds for whose payment or redemption money or securities (as provided in Section 7 hereof) shall have been theretofore irrevocably deposited with the Registrar or any other paying agent for such Bonds in trust for the Holders of such Bonds, provided, however, that if such Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to this Resolution or irrevocable instructions to call such Bonds for redemption at a stated Redemption Date shall have been given to the Registrar; and

(c) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered pursuant to this Resolution;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Issuer or purchased by the Registrar as provided herein shall be disregarded and deemed not to be Outstanding, except that in determining whether the Registrar shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which the Registrar actually knows to be so owned shall be disregarded.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository.

“Payment Date” means each February 1 and August 1, commencing on February 1, 2011.

“Permitted Investments” means any investment permitted pursuant to Minnesota Statutes, Chapter 118A.

“Phase I Property” means Lot 1, Block 1, The Exchange, according to the recorded plat thereof, Hennepin County, Minnesota.

“Phase II Property” means Lots 1 and 2, Block 1, Glen Haven Shopping Center, according to the recorded plat thereof, Hennepin County, Minnesota.

“Phase II Subdeveloper” means Glen Lake Senior Housing, LLC.

“Phase III Deficiency” means an occurrence of following conditions on any Payment Date: (1) pledged Available Tax Increment from the Phase I Property and the Phase II Property is insufficient to pay principal and interest then due on the Bonds, and (2) Phase III Negative Tax Increment exists as of that Payment Date. In that event, the Phase III Deficiency on that Payment Date is the smaller of the debt service shortfall under clause (1) or the Phase III Negative Tax Increment under clause (2).

“Phase III Negative Tax Increment” means a reduction in Available Tax Increment from the Phase I Property and Phase II Property resulting from a decline in the current market value of the Phase III Property (for any tax-payable year) below that parcel’s original tax capacity (within the meaning the TIF Act).

“Phase III Property” means Lot 1, “Glen Lake Park,” except the East 570 feet of Lot 1, according to the recorded plat thereof, Hennepin County, Minnesota.

“Purchaser” means Dougherty and Company, LLC.

“Rebate Fund” means

“Record Date” means with respect to any Payment Date on the Bonds, (a) the fifteenth day of the month (whether or not a Business Day) next preceding such Payment Date (each, a “Regular Record Date”) or (b) if there is a default in payment of interest due on such Payment Date, a “Special Record Date” for the payment of such defaulted interest established by the Registrar in accordance with Section 3.04(b).

“Redemption Date” means, with respect to any Bond to be redeemed, the date on which it is to be redeemed pursuant to this Resolution.

“Redemption Price” means, with respect to any Bond to be redeemed, the price (principal amount plus accrued interest plus premium, if any) at which it is to be redeemed pursuant to this Resolution.

“Redeveloper” means Glen Lake Redevelopment, LLC.

“Redevelopment Project” means the Glen Lake Station Housing Development and Redevelopment Project administered by the Issuer.

“Registrar” means the registrar who shall act as Registrar, transfer agent and paying agent, or any successor Registrar or other fiduciary acting as Registrar, transfer agent or paying agent for the Bonds. The initial Registrar is the City Finance Director.

“Representation Letter” means any letter of representations or agreement from the Issuer to DTC with respect to the Bonds, and any similar letter or other agreement with any successor depository for the Bonds.

“Reserve Requirement” means the amount from time to time required to be held or accumulated in the Reserve Fund, that amount being equal to the least of: (i) ten percent (10%) of the original principal amount of the Bonds; (ii) 125 percent of the average annual debt service on the Bonds; or (iii) 50 percent of the maximum annual debt service on the Bonds.

“Resolution” means this Resolution No. \_\_\_\_\_ approved by the Issuer on October 4, 2010.

“State” means the State of Minnesota.

“Tax Increment” means that portion of the real property taxes which is paid with respect to the Phase I Property and the Phase II Property and that is remitted to the Issuer as tax increment pursuant to the Tax Increment Act, after adjusting for any reduction in total Tax Increment paid to the Issuer from the TIF District because of decline in the tax capacity of parcels other than the Phase I Property and Phase II Property below the original tax capacity of those parcels (as defined in the TIF Act.) The market value of the Redevelopment Property (as defined in the Contract) and resulting original tax capacity (as defined in the TIF Act) will be allocated to the Phase I Property and Phase II Property on the basis of the square footage of each parcel, as needed to reflect any changes in parcel boundaries. The term Tax Increment does not include any amounts retained by or payable to the State auditor under Section 469.177, subd. 11 of the Tax Increment Act, or any amounts described in Section 469.174, subd. 25, clauses (2) through (4) of the Tax Increment Act.

“Tax Increment Act” or “TIF Act” means Minnesota Statutes, Sections 469.174 through 469.1799, as amended.

“TIF District” means the Glen Haven Tax Increment Financing District established by the Issuer and the City.

“Treasury Regulations” means the income tax regulations promulgated by the United States Department of the Treasury under the Code and applicable to the Bonds.

### Section 3. Terms of Bonds Generally.

3.01. Special Obligations. The Bonds are special limited obligations of the Issuer, the principal of and interest on which are payable solely from Available Tax Increment and shall be a valid claim of the respective Holders only against the Available Tax Increment which is pledged and shall be used for no other purpose than to pay the principal of and interest on the Bonds, except as otherwise expressly authorized in this Resolution. The Bonds are not general or moral obligations of the City, the State, the Issuer or any political subdivision or Issuer of the State. The Holder shall have no right to compel the exercise of the taxing powers of the State, the Issuer or any political subdivision or Issuer of the State. The Bonds are not an indebtedness of the State, the Issuer or any political subdivision or Issuer of the State within the meaning of any constitutional or statutory limitation on indebtedness, other than the HRA Act and the Tax Increment Act.

3.02. Forms Generally. The Bonds shall be in substantially the forms set forth in EXHIBIT A, with such other appropriate insertions, omissions, substitutions or other variations as are required or permitted by this Resolution. Definitive Bonds may be printed, lithographed or engraved or produced by a combination of these methods, or may be produced in any other manner. All signatures appearing on the Bonds (other than the signature of an officer of the Registrar appearing in the certificate of authentication) may be facsimiles.

3.03. Principal Amount, Designation, Interest Rates, Maturities.

(a) The Bonds shall be issued under and secured by this Resolution and denominated “Tax Increment Revenue Bonds, Series 2010 (Glen Lake Project, Phases I & II).” The Bonds shall be issued in the aggregate principal amount not to exceed \$2,660,000 and dated as of the date of delivery.

(b) The Bonds shall be issued in fully registered form, numbered separately consecutively upward, and the Bonds shall bear interest from their date of issue, payable each Payment Date. If a default has occurred in the payment of any interest, the Registrar shall establish a special Record Date for such payment as hereinafter provided. Interest on the Bonds shall be computed on the basis of a 360-day year with twelve (12) months of thirty (30) days.

(c) The Bonds shall mature on the dates and in the principal amounts, and shall bear interest at the rates per annum for each stated maturity (not to exceed an average rate for all maturities of 7.0%) as specified in the Purchaser’s proposal accepted by the Executive Director in accordance with Section 1.02. and memorialized in the Bond Purchase Agreement.

(d) To the extent lawful, interest shall accrue on all principal of and interest on the Bonds not paid when due at the rate of interest accruing on the Bonds immediately prior to such default.

(e) The Bonds shall be subject to redemption and prepayment prior to maturity as provided in Section 4 hereof.

3.04. Payment of Interest and Principal.

(a) The Bonds shall be payable in lawful money of the United States of America in immediately available funds: (i) in the case of principal of, redemption price and any premium on such Bond, delivered or transmitted to the Holder when due; and (ii) in the case of interest on such Bonds, delivered or transmitted on any date interest is due to the Holder of that Bond at the close of business on the Record Date applicable to that Payment Date (the “Regular Record Date”). All Bonds shall be payable as to principal and redemption price in lawful money of the United States at the principal office of the Registrar upon presentment and surrender of the Bonds being paid, and interest on each Bond shall be payable by check or draft drawn upon the Registrar and mailed on the applicable Payment Date to the Holder thereof at the address of such Holder as reflected on the Bond Register on the Regular Record Date; provided that upon written instruction from any Holder of not less than \$1,000,000 principal amount of the Bonds received at least five days prior to the Regular Record Date (or all Outstanding Bonds, if less than \$1,000,000 principal amount of Bonds is Outstanding), payments to such Holder may be made to such Holder in immediately available funds, on the date such payment is due, by wire transfer as instructed by the Holder and upon payment by the Holder of the cost of such wire transfer.

(b) Notwithstanding the foregoing, if and to the extent that the Issuer shall fail to make payment or provision for payment of interest on any Bond due on any date, that interest (“defaulted interest”) shall cease to be payable to the person who was the Holder of that Bond as of the original Regular Record Date. When money becomes available for payment of such defaulted interest: (i) the Registrar shall establish a “Special Record Date” for the payment of such defaulted interest which shall be not more than fifteen (15) nor fewer than ten days prior to the date of the proposed payment; and (ii) the Registrar shall cause notice of the proposed payment and of the Special Record Date to be mailed by first class mail, postage prepaid, to each Holder at its address as it appears on the Bond Register not fewer than ten days prior to the Special Record Date and, thereafter, such defaulted interest shall be payable to the persons who are the Holders of the Bonds at the close of business on the Special Record Date as above established.

3.05. Registered Form and Denominations. All Bonds shall be in fully registered form without coupons in Authorized Denominations and shall be issued in the stated maturities and shall bear interest at such rates per annum and have such other terms as are set forth in this Resolution.

3.06. Execution of Bonds. Each Bond shall be executed in the name of, and on behalf of, the Issuer by the manual, facsimile or photocopied signature of its Executive Director, but the Issuer’s corporate seal may be omitted as permitted by law. Any Bond may be signed, sealed or attested on behalf of the Issuer by any person who, at the date of such act, shall hold the proper office, and the validity thereof shall not be impaired by the fact that one or more officers authorized to execute such Bond shall have ceased to be in office or did not hold such office on the formal issuance date thereof.

3.07. Authentication of Bonds. Each Bond shall bear thereon a certificate of authentication, substantially in the form set forth in EXHIBIT A. Only such Bonds as shall bear thereon such certificate of authentication, duly executed, shall be entitled to any security, right or benefit under this Resolution. No Bond shall be valid or obligatory for any purpose unless such

certificate of authentication upon such Bond shall have been manually executed by the Registrar. The Registrar shall authenticate the signature of the officers of the Issuer on each Bond by execution of the Registrar's Certificate of Authentication on the Bond and by inserting as the date of registration in the space provided the date on which the Bond is authenticated, except that for purposes of delivering the Bonds at the Bond Closing to the Purchaser, the Registrar shall insert as a date of registration the date of original issue. Such certificate of authentication upon any Bond executed by the Registrar as herein provided on behalf of the Issuer shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution.

3.08. Registration and Transfer of Bonds and Agent Therefor. The Issuer appoints the City Finance Director as the initial Registrar for the Bonds, but retains the right at time to appoint a successor entity to serve as Registrar. The Issuer shall maintain and keep, at the principal office of the Registrar, a Bond Register for the registration and transfer of Bonds and, upon presentation thereof for such purpose at the principal office of the Registrar, the Issuer shall register or cause to be registered therein and permit to be transferred thereon or to be exchanged, under such reasonable regulations as the Issuer or Registrar may prescribe, any Bond entitled to registration, transfer or exchange. The Registrar is hereby irrevocably appointed the agent of the Issuer for such registration, transfer or exchange of Bonds.

3.09. Transfer and Exchange of Bonds.

(a) Each Bond may be exchanged at the option of the Holder, and each Bond may be transferred, upon presentation and surrender of the Bond at the principal office of the Registrar, together with an assignment or instrument of transfer duly executed by the Holder or its duly authorized attorney-in-fact in form satisfactory to the Registrar. Upon such presentation and surrender of a Bond, the Issuer shall execute and the Registrar shall authenticate a Bond or Bonds of the same series, maturity, and aggregate principal amount, bearing the same interest rate as the Bond surrendered; whereupon the new Bond or Bonds shall be valid obligations of the Issuer secured hereby and shall evidence all rights and privileges of the surrendered Bond, including all principal and all accrued and unpaid interest due or payable thereon. All surrendered Bonds shall be cancelled.

(b) For every such exchange or transfer of Bonds, the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, as well as the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the Registrar incurred in connection with such exchange or transfer shall be paid by the Issuer.

(c) Neither the Issuer nor the Registrar shall be required to register, transfer or exchange Bonds for a period of fifteen (15) days next preceding any selection of Bonds to be redeemed or thereafter any Bonds selected, called or being called for redemption as a whole or the portion being redeemed of any Bonds selected, called or being called for redemption in part.

(d) No Bond may be transferred or exchanged in violation of any applicable federal or state securities laws.

3.10. Bonds Mutilated, Destroyed, Stolen or Lost. In the event that any Bond is mutilated, destroyed, stolen or lost, the Issuer shall execute and the Registrar shall authenticate and deliver, in lieu of any such mutilated, destroyed, stolen or lost Bond, a new Bond of like date, denomination and series as the Bond mutilated, destroyed, stolen or lost, but bearing a number not contemporaneously outstanding, provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any such destroyed, stolen or lost Bond, there shall be first furnished to the Registrar evidence of such destruction, theft or loss satisfactory to the Registrar, together with indemnity in favor of the Registrar and the Issuer. The Registrar may charge the Holder of such Bond their reasonable fees and expenses in this connection. All such Bonds so surrendered to the Registrar shall be cancelled by the Registrar. In case any such mutilated, destroyed, stolen or lost Bond has become or is about to become due and payable, the Issuer shall, instead of issuing a new Bond, cause the Registrar to pay such Bond out of money held by the Registrar and available for such purpose. The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, stolen or lost Bonds.

3.11. Nonpresentation of Bonds. Except as otherwise provided by applicable law, in the event any Bond shall not be presented for payment when due, either at the stated Maturity thereof, upon a Redemption Date, or otherwise, if money sufficient to pay such Bond shall have been made available to the Registrar pursuant to the provisions of this Resolution for the benefit of the Holder thereof, all liability of the Issuer to the Holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Registrar to hold such funds, without liability for interest thereon, for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his, her or its part under this Resolution or on, or with respect to, said Bond; provided that any funds which shall be so held by the Registrar and which remain unclaimed by the Holder of any Bond not presented for payment within two years after such date as upon which all of the Bonds shall have been fully paid or retired or provision for such payment has been made as provided in Section 7 of this Resolution shall be paid to the Issuer, free of any trust or lien, and thereafter any such Holder shall look only to the Issuer for payment of such amount without interest thereon and the Registrar shall have no further responsibility with respect to such money.

3.12. Temporary Bonds.

(a) Pending the preparation of definitive Bonds, the Issuer may execute, and the Registrar shall authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are issued, with such changes as may be necessary to reflect more than one stated Maturity in a temporary bond, in fully registered form, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Bonds may determine, as evidenced by their signing of such Bonds.

(b) If temporary Bonds are issued, the Issuer will cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds at the office of the Registrar, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits under this Resolution as definitive Bonds, and interest thereon, when and as payable, shall be paid to the Holder thereof as provided in this Resolution.

### 3.13. Description of the Book-Entry System.

(a) Notwithstanding any of the foregoing provisions of this Resolution, the Bonds initially shall be issued in the form of a single authenticated fully registered Bond for each stated maturity of Bonds, representing the aggregate principal amount of the Bonds of such maturity, and the Bonds shall be governed by the provisions of this Section.

(b) Except as provided in this Section, all of the Outstanding Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC. With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Registrar shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (b) the delivery to any Participant or any other person, other than a Bondholder, as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any Participant or any other person, other than a Bondholder, as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Issuer and the Registrar may treat and consider the person in whose name each Bond is registered in the Bond Register as the Holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Bondholders, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the Bond Register, shall receive a certificated Bond evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest pursuant to this Resolution. Upon delivery by DTC to the Issuer or the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Regular Record Dates, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(c) The delivery by the Issuer of the Representation Letter shall not in any way limit the provisions of preceding paragraph of this Section or in any other way impose upon the Issuer any obligation whatsoever with respect to persons having interests in the Bonds other than the Bondholders, as shown on the Bond Register kept by the Registrar. The Registrar shall take all action necessary for all representations of the Registrar in the Representation Letter with respect to the Registrar to be complied with at all times.

(d) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the Issuer and the Registrar and discharging its responsibilities with respect thereto under applicable law. The Issuer, in its discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds. Upon the discontinuance or termination of the services of DTC with respect to the Bonds, unless a substitute securities depository is appointed to undertake the functions of DTC hereunder, the Issuer is obligated to deliver Bond certificates to the beneficial owners of the Bonds, as described herein, at its expense, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(e) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

(f) The Registrar is hereby authorized and requested to execute and deliver the Representation Letter and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Resolution.

Section 4. Redemption. The Bonds are subject to redemption prior to maturity as follows:

4.01. Optional Redemption. Bonds may be redeemed, in whole or in part, at the option of the Issuer on the date specified in the Purchaser's proposal accepted by the Executive Director and memorialized in the Bond Purchase Agreement and any date thereafter for which timely notice of redemption can be given, at a Redemption Price equal to the principal amount of the Bonds so redeemed plus interest accrued thereon to the Redemption Date. Bonds shall be subject to optional redemption pursuant to this Section 4.01 only if funds to implement such redemption are deposited in the Bond Fund on or before the date on which notice of redemption is required to be given by Section 4.03.

4.02. Scheduled Mandatory Redemption. If the proposal accepted by the Executive Director includes any term bonds, such term bonds are subject to scheduled mandatory redemption on the mandatory sinking fund redemption dates and in the principal amounts set forth in the Bond Purchase Agreement, at a redemption price equal to the principal amount

thereof plus accrued interest to the redemption date, without premium, subject to pro rata reduction of such scheduled mandatory redemption payments to the extent that such Bonds are redeemed prior to maturity otherwise than pursuant to such scheduled mandatory redemption.

4.03. Election to Redeem; Notice to Registrar. In case of any redemption of Outstanding Bonds pursuant to Section 4.01, the Issuer shall notify the at least thirty (30) days prior to the Redemption Date fixed by the Issuer of such Redemption Date and of the principal amount of Bonds to be redeemed.

4.04. Selection of Bonds to be Redeemed.

(a) The Registrar shall promptly notify the Issuer, in writing, of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

(b) In the case of a partial redemption pursuant to Section 4.01, the Registrar shall select by lot the maturities of the Bonds to be redeemed and the principal amount (in increments of \$1,000) to be redeemed from each maturity.

(c) If less than all of the Bonds are to be redeemed other than in accordance with the scheduled mandatory redemption provisions of Section 4.02, the Bonds so redeemed shall be selected by maturity as set forth in Section 4.04(b), and the scheduled mandatory redemption requirements for each maturity described in Section 4.02 shall be adjusted so that the resulting decrease in debt service on the Bonds (including scheduled mandatory redemption payments) during each six-month period commencing on each Payment Date is proportional, as nearly as practicable. If less than all of the Outstanding principal amount of the Bonds of a specific maturity are to be redeemed, the specific Bonds to be redeemed shall be selected by the Registrar at random or in such manner as the Registrar shall deem fair and appropriate.

4.05. Notice of Redemption.

(a) Notice of redemption shall be given by first-class mail, postage pre-paid, mailed not less than fifteen (15) days prior to the Redemption Date, to each Holder of Bonds to be redeemed at the address of such Holder appearing in the Bond Register. For Bonds registered to Cede & Co., as nominee of DTC, notice of redemption may instead be given by electronic notice, sent not less than fifteen (15) days prior to the Redemption Date. Neither failure to give notice by mail to any Holder, nor any defect in any notice so mailed, shall affect the validity of the proceedings for redemption of the Bonds held by any Holder to which proper notice by mail has been given.

(b) All notices of redemption shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the principal amount of Bonds to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, specifying the CUSIP numbers of the Bonds to be redeemed and their registration number and stated Maturity; (iv) that on the Redemption Date, the Redemption Price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after such date, provided that if redemption is conditioned on funds being deposited in the Bond Fund in an

amount sufficient to effect such redemption, this condition shall be stated in the notice and if sufficient funds are not so deposited in the Bond Fund, the Bonds to be redeemed shall not be due and payable on the Redemption Date and interest shall continue to accrue thereon; and (v) the place or places where such Bonds are to be surrendered for payment of the Redemption Price.

4.06. Bonds Payable on Redemption Date.

(a) Notice of redemption having been given as aforesaid, the Bonds to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date such Bonds shall cease to bear interest, except as otherwise provided herein in the case of a conditional redemption when insufficient funds are deposited in the Bond Fund to effect such redemption. Subject to the foregoing provision, upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the Redemption Price.

(b) If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date (and, if lawful, interest on overdue installments of principal, premium, if any, and interest) at the rate borne by said Bond.

Section 5. Covenants of the Issuer.

5.01. Payment of Principal and Interest. The Issuer covenants that it will promptly pay or cause to be paid from funds pledged to the Bond Fund the principal of and interest on every Bond at the place, on the dates and in the manner provided herein, in said Bond according to the terms hereof and thereof. The principal and interest are payable solely from the Available Tax Increment hereby specifically assigned and pledged to the payment thereof for the benefit of the Bondholders in the manner and to the extent herein specified, and nothing in the Bonds or in this Resolution shall be considered as assigning or pledging any other funds or assets of the Issuer for such purposes, except as expressly provided in this Resolution.

5.02. Revenue Covenants. For the protection of the Holders of the Bonds, the Issuer herein covenants and agrees to and with the Holders thereof from time to time as provided in this Section:

(a) The Issuer shall not act or omit to act in any way that would deprive the Issuer of the right to receive Available Tax Increment revenues or use Available Tax Increment revenues as provided in this Resolution or the Contract. Nothing in this Section will be construed to limit or impair the Issuer's remedies upon default by Redeveloper under the Contract, or by the Phase II Subdeveloper upon default under the portions of the Contract assigned to Phase II Subdeveloper under the Assignment; provided that in no event is the Issuer entitled to withhold payment of Available Tax Increment pledged to the Bond Fund hereunder as a remedy for any default by Redeveloper or the Phase II Subdeveloper.

(b) The Issuer shall not pledge or encumber Available Tax Increment in any manner that would create a pledge, lien or encumbrance against the Available Tax Increment superior to, or on a parity with, the pledge of Available Tax Increment provided for in this Resolution. However, this covenant shall not be construed to preclude an expressly subordinate pledge of Available Tax Increment.

(c) The Issuer shall cause Hennepin County to remit all tax increment revenues from the TIF District to the Issuer promptly, and the Issuer shall promptly determine the amount thereof that constitutes Tax Increment and Available Tax Increment and shall promptly deposit all Available Tax Increment to in the Bond Fund.

(d) The pledge of Available Tax Increment from any parcel within the TIF District may be released from the pledge to the Bonds under this Resolution upon a determination by the Issuer that, after such release, the Available Tax Increment is projected to be sufficient to produce debt service coverage for the Bonds of at least 125 percent. For the purposes of this Section, such projections will be based on market values, class rates, and the local rate applicable as of the date of the release.

(e) Notwithstanding anything to the contrary in Sections 3.7 and 3.8(f)(2) of the Contract, in the event the Issuer becomes entitled to collect any lookback obligation from Redeveloper or Phase II Subdeveloper under Section 3.7 of the Contract, the Issuer will enforce the relevant lookback in a manner that does not meet the private payment or security test with respect to the Bonds under Section 141(b) of the Code and applicable Treasury Regulations; and in no event will the Issuer withhold payment of Available Tax Increment pledged to the Bonds as enforcement of a lookback obligation under Section 3.7 of the Contract.

5.03. Obligations of Issuer as to Tax-Exempt Status of the Bonds.

(a) The Issuer makes the following representations with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes:

(i) In addition to the Bonds, no other obligations have been or are expected to be issued under Section 103 of the Code for sale at substantially the same time as the Bonds: (A) that are sold pursuant to the same plan of financing; and (B) that are payable in whole or part by the Issuer or otherwise have with the Bonds any common or pooled security for the payment of debt service thereon; or (C) which are otherwise treated as the same “issue of obligations” as the Bonds under Section 103(a) of the Code.

(ii) The Issuer will not use the proceeds of the Bonds in such a manner as to cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code; to this end, the Issuer shall:

(A) maintain, or cause to be maintained, records identifying all gross proceeds (as defined in Section 148(f)(6)(B) of the Code) attributable to the Bonds and the yield derived from all investments thereof, including specifically

earnings in excess of the yield on the Bonds and any earnings derived from the investment of such arbitrage profit;

(B) make, or cause to be made, as of the end of each fifth Bond Year (or so often as the Issuer shall determine or as may be required by the Treasury Regulations), a determination of the amount, if any, of earnings required by Section 148(f) of the Code to be paid to the United States by the Issuer as the rebate of arbitrage profits; and

(C) as additional consideration for the purchase of the Bonds by the Purchaser and the loan of the money represented thereby, and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, pay, or cause to be paid, to the United States at least once every five Bond Years the amount, if any, which is required to be paid to the United States as the Rebate Amount, including the last installment which shall be made no later than sixty (60) days after the day on which the Bonds are paid in full.

(iii) No portion of the proceeds of the Bonds shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (A) for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued, and (B) in addition to the above in an amount not greater than \$100,000. To this end, any proceeds of the Bonds and any sums from time to time held in the Funds for the Bonds (or any other Issuer account which will be used to pay debt service to become due on the Bonds) in excess of amounts which under then-applicable federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments, after taking into account any applicable “temporary periods”, minor portion or reserve made available under the federal arbitrage regulations. Money in the Funds for the Bonds shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any Issuer or instrumentality thereof if and to the extent that such investment would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code. The proceeds of the Bonds shall not be invested in other tax-exempt obligations the interest on which is subject to alternative minimum tax under the Code, unless the Issuer has received an opinion of Bond Counsel to the effect that such investment will not jeopardize the tax-exempt status of the Bonds.

(vi) The Issuer hereby covenants not to use the proceeds of the Bonds, or to cause or permit them or any of them to be used, or to enter into any deferred payment arrangements for the cost of the Project, in such a manner as to cause the Bonds to be “private activity bonds” within the meaning of Sections 103 and 141 through 150 of the Code.

(vii) Notwithstanding any other provisions of this Resolution to the contrary, the Issuer shall not otherwise use any of the proceeds of the Bonds or take or fail to take

any action the effect of which would cause interest on the Bonds to be included in gross income of the Holders thereof for federal income tax purposes.

(b) The obligations of the Issuer under this Section 5.03 shall survive the defeasance or payment in full of the Bonds.

5.04. Bank Qualification. The Issuer hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and represents that the Issuer does not reasonably anticipate that the Issuer, or any other subordinate entity of the Issuer will issue in calendar year 2010 more than \$30,000,000 of bonds or other tax-exempt obligations (excluding “private activity bonds” other than “qualified 501(c)(3) bonds,” as such terms are defined in the Code, and excluding certain refunding obligations, that are not included in the \$30,000,000 limitation set forth in Section 265(b)(3)(C)(i) of the Code).

## Section 6. Funds, Application of Available Tax Increment; Other Matters.

6.01. Establishment of Funds. The Issuer hereby establishes and shall maintain a Cost of Issuance Fund, a Refunding Fund, a Bond Fund, a Capitalized Interest Fund, a Reserve Fund, and a Rebate Fund.

6.02. Application of Proceeds. On the Bond Closing, the Issuer will apply proceeds of the bonds (the par amount of the Bonds, less any underwriter’s discount) to the following funds, in the amounts specified in the Bond Purchase Agreement:

- (a) to the Cost of Issuance Fund.
- (b) to the Refunding Fund.
- (c) to the Capitalized Interest Fund.
- (d) to the Reserve Fund.

### 6.03. Bond Fund.

(a) Upon receipt during each Bond Year, the Issuer shall deposit Available Tax Increment into the Bond Fund in the amount that, together with any funds on deposit in the Bond Fund, is necessary to pay principal and interest on the Bonds in that Bond Year.

(b) On each February 1, after the payment of interest and principal due on the Bonds, if the Issuer has on hand Excess Available Tax Increment, such Excess Available Tax Increment shall be applied first to the credit of the Reserve Fund in any amount necessary to restore the balance therein to the Reserve Requirement, and the balance is released from the pledge to the Bonds and shall be applied in accordance with Section 4.12 of the Contract.

(c) All investment earnings on the funds in the Bond Fund shall remain in the Bond Fund.

6.04. Refunding Fund. The Issuer shall deposit in the Refunding Fund the amount specified for deposit therein under the Bond Purchase Agreement. The Issuer shall disburse funds from the Project Fund to prepay a portion of the outstanding principal amount of the Exchange/Kinsel Initial Note and to prepay all or a portion of the outstanding principal amount of the Phase II Note (in each case, such portions specified in the Bond Purchase Agreement).

6.05. Capitalized Interest Fund. The Issuer shall deposit in the Capitalized Interest Fund the amount specified for deposit therein under the Bond Purchase Agreement. The Issuer shall, at least five days before any Payment Date, transfer from the Capitalized Interest Account to the Bond Fund such amount which is sufficient (together with amounts already on deposit in the Bond Fund or expected to be on deposit in the Bond Fund on the next Payment Date, if any), for payment of all accrued interest and principal due on the Bonds on the next Payment Date.

All income derived from the investment of amounts in the Capitalized Interest Fund, shall be credited as received to the Capitalized Interest Fund.

If any funds remain in the Capitalized Interest Account after February 1, 2013, the remaining funds shall be transferred to the Bond Fund and used to pay principal and interest on the Bonds on the next Payment Date. Any amounts so transferred to the Bond Fund shall be invested at a yield not exceeding the yield of the Bonds unless the Issuer receives an opinion of Bond Counsel that investment at an unrestricted yield will not adversely affect the exemption of interest on any Bonds.

6.06. Costs of Issuance Fund. The Issuer shall deposit in the Costs of Issuance Fund the amount specified for deposit therein in the Bond Purchase Agreement. The Issuer shall use money on deposit to the credit of the Costs of Issuance Fund, on the Bond Closing or as soon thereafter as practicable, to pay the costs of issuance of the Bonds upon presentation of invoices therefor. Amounts remaining on deposit in the Costs of Issuance Fund thirty (30) days after the date of issuance of the Bonds shall be transferred to the Capitalized Interest Fund. Upon such final disbursement, the Issuer shall close the Costs of Issuance Fund.

6.07. Reserve Fund.

(a) The Issuer shall deposit in the Reserve Fund the Reserve Requirement. The Issuer shall also deposit in the Reserve Fund the amounts of Excess Available Tax Increment, if any, credited to the Reserve Fund in accordance with Section 6.03(b) hereof.

(b) The Issuer shall transfer from the Reserve Fund to the Bond Fund on the day preceding any Payment Date, such amount which, together with amounts already on deposit in the Bond Fund is required for the payment from the Bond Fund of interest and principal due on the next Payment Date.

(c) The Issuer shall transfer any amount in excess of the Reserve Requirement held in the Reserve Fund on the day after a Payment Date (i) to the Rebate Fund, to the extent such amount consists of any Rebate Amount and (ii) to the Bond Fund any other amounts.

(d) The balance of funds in the Reserve Fund shall be transferred to the Bond Fund on February 1, 2030 and applied, before application of Available Tax Increment then on deposit in the Bond Fund, to pay principal and interest then due on the Bonds.

6.08. Rebate Fund.

(a) The Issuer shall establish and maintain a fund separate from any other fund established and maintained hereunder, designated as the Rebate Fund. The Issuer shall deposit in the Rebate Fund any amount earned on the Funds described in, and pursuant, to the provisions of this Section 6, that constitutes arbitrage subject to rebate under the Code and related Treasury Regulations (“Rebate Amount”). Subject to the transfer provisions provided, all money at any time deposited in the Rebate Fund shall be held by the Issuer in trust, to the extent required to satisfy the obligation of the Issuer to rebate arbitrage profits to the United States of America. Neither the Issuer nor the Holder of any Bonds shall have rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section.

(b) The Issuer shall transfer from the Funds to the Rebate Fund any Rebate Amount.

(c) The Issuer shall have no obligation to make any rebate payments pursuant to this Section, other than from money held in the Funds created under this Resolution or from other money provided to it by the Issuer.

(d) The Issuer shall invest all amounts held in the Rebate Fund, pursuant to the provisions of this Section 6.08. The Issuer shall retain in the Rebate Fund all earnings on investments of amounts held in the Rebate Fund (calculated by taking into account net gains or losses on sales or exchanges and taking into account amortized discount or premium as a gain or loss, respectively). Money shall not be transferred from the Rebate Fund except as provided in paragraph (e) below.

(e) The Issuer shall remit part or all of the balances in the Rebate Fund to the United States, as required by Section 148(a) of the Code and related Treasury Regulations at the written direction of the firm engaged by the Issuer to provide rebate services. If on the first day of any Bond Year the amount credited to the Rebate Fund exceeds the aggregate amount of arbitrage subject to rebate (the “Rebate Requirement”), the Registrar will transfer money out of the Rebate Fund to the extent of such excess into such accounts or funds held by the Issuer hereunder, as determined by the Registrar. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds, and receipt of evidence from the firm engaged by the Issuer to perform rebate services that any Rebate Requirement has been paid, and satisfied, shall be transferred to the Bond Fund.

(f) Notwithstanding any other provision of this Resolution, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of this Section shall survive the defeasance or payment in full of the Bonds.

(g) Notwithstanding any provision of this Section, if the Issuer receives an opinion of Bond Counsel to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest with respect to the Bonds pursuant to Section 103 of the Code, the Issuer may rely conclusively on such opinion in complying with the provisions hereof.

6.09. Investments. Money held for the credit of any Fund established by this Section 6 shall be invested as received and reinvested by the Issuer in Permitted Investments only; provided that any money credited to the Reserve Fund shall be invested in instruments with a maturity no longer than five years. The Issuer covenants and certifies for the benefit of the Purchaser and Holders of the Bonds from time to time Outstanding that money on deposit in any Fund, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other sources, are not intended to be used in a manner which will cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

Section 7. Defeasance. When all Bonds have been discharged as provided in this Section, all pledges, covenants and other rights granted by this Resolution to the Holders shall, to the extent permitted by law, cease. The Issuer may discharge its obligations with respect to any Bonds which are due on any date by irrevocably depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The Issuer may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full, provided that notice of redemption thereof has been duly given. The Issuer may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

Section 8. Disclosure Documents and Closing Certificates.

8.01. The Preliminary Official Statement and the Official Statement with respect to the Bonds is hereby ratified and approved. The distribution of the Preliminary Official Statement and the Official Statement prepared in conjunction with the offer and sale of the Bonds is hereby ratified and approved.

8.02. The Executive Director is authorized to furnish to the purchasers of the Bonds, on the date of issuance and sale of the Bonds, a certificate that, to the best of the knowledge of such

officer, the Official Statement (or other form of disclosure document) does not, as of the date of closing, and did not, as the time of sale of the Bonds, contain any untrue statement of a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Unless litigation shall have been commenced and be pending questioning the Bonds, the proceedings for approval of the Bonds, tax increment revenues generated or collected for payment of the Bonds, or the organization of the Issuer, or incumbency of its officers, the Executive Director shall also execute and deliver a suitable certificate as to absence of material litigation, and the Executive Director shall also execute and deliver a certificate as to payment for and delivery of the Bonds, and the signed approving legal opinion of Kennedy & Graven, Chartered, as to the validity and enforceability of the Bonds and the tax-exempt status of interest on the Bonds.

8.03. The Executive Director and other agents, officers, and employees of the Issuer are hereby authorized and directed, individually and collectively, to furnish to the attorneys approving the Bonds, on behalf of the purchasers of the Bonds, certified copies of all proceedings and certifications as to facts as shown by the books and records of the Issuer, and the right and authority of the Issuer to issue the Bonds, and all such certified copies and certifications shall be deemed representations of fact on the part of the Issuer. Such officers, employees, and agents of the Issuer are hereby authorized to execute and deliver, on behalf of the Issuer, all other certificates, instruments, and other written documents that may be requested by bond counsel, the Purchaser, or other persons or entities in conjunction with the issuance of the Bonds and the expenditure of the proceeds of the Bonds. Without imposing any limitations on the scope of the preceding sentence, such officers and employees are specifically authorized to execute and deliver a certificate relating to federal tax matters including matters relating to arbitrage and arbitrage rebate, a receipt for the proceeds derived from the sale of the Bonds, a general certificate of the Issuer, and an Information Return for Tax-Exempt Governmental Obligations, Form 8038-G.

#### Section 9. Continuing Disclosure.

9.01. “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Issuer’s President and Executive Director and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof..

9.02. The Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with the Continuing Disclosure Certificate is not to be considered an event of default with respect to the Bonds; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this section.

Section 10. Effective Date. This Resolution is effective upon approval. If the Executive Director has not accepted a proposal of Purchaser, as evidenced by execution in full of the Bond Purchase Agreement, by November 30, 2010, this Resolution is deemed terminated and has no further force or effect.

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Approved this 4<sup>th</sup> day of October, 2010 by the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka.

\_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

**EXHIBIT A**

**Form of Bond**

**UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
HENNEPIN COUNTY**

No. R-\_\_\_\_ \$ \_\_\_\_\_

**Economic Development Authority in and for the City of Minnetonka  
Tax Increment Revenue Bonds, Series 2010  
(Glen Lake Project, Phases I & II)**

<u>Maturity Date</u>	<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>CUSIP</u>
February 1, 20__		%	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the Columbia Heights Economic Development Authority, a public body corporate and politic organized and existing under the laws of the State of Minnesota (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, in the manner hereinafter set forth but solely from the revenues and funds described herein, the principal amount specified above, on the stated maturity date specified above, unless called for earlier redemption, and to pay interest thereon semiannually on February 1 and August 1 of each year (each a "Payment Date"), commencing February 1, 2011, at the rate per annum specified above (calculated on the basis of a 360-day year of twelve 30-day months) until the principal sum is paid or has been provided for. This Bond will bear interest from the most recent Payment Date to which interest has been paid or, if no interest has been paid, from the date of original issue hereof. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the office of the Finance Director of the City of Minnetonka (the "Registrar") acting as paying agent and registrar for the Bonds, or any successor paying agent duly appointed by the Issuer. Interest on this Bond will be paid on each Payment Date by check or draft drawn upon the Registrar mailed (or under certain conditions specified in the Resolution sent by wire transfer) to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month preceding such

Payment Date (the “Regular Record Date”). Any interest not so timely paid shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date (the “Special Record Date”) fixed by the Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given to Bondholders not less than ten days prior to the Special Record Date. The principal of and interest on this Bond are payable in lawful money of the United States of America.

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

This Bond is one of an issue in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”), all of like date of original issue and tenor, except as to number, maturity, interest rate, denomination, and redemption privilege, issued under and equally and ratably secured and entitled to the protection given by the Resolution. The Bonds are issued to refinance certain public redevelopment costs of a project under and pursuant to Minnesota Statutes, Sections 469.001 to 469.047, 469.090 to 469.1081, and 469.174 to 469.1799, as amended (collectively, the “Act”). Reference is made to the Resolution (hereinafter defined) for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer and the rights of the Holders of the Bonds, and the terms upon which the Bonds are issued and secured.

The Bonds are subject to redemption as follows:

(a) Optional Redemption. Bonds maturing on or after February 1, 20\_\_\_\_ may be redeemed, in whole or in part, at the option of the Issuer on February 1, 20\_\_ and any date thereafter for which timely notice of redemption can be given, at a redemption price equal to the principal amount of the Bonds so redeemed plus interest accrued thereon to the redemption date.

(b) Scheduled Mandatory Redemption. The Bonds maturing on February 1, 20\_\_\_\_ [etc] are subject to scheduled mandatory redemption on the mandatory sinking fund redemption dates and in the principal amounts set forth in the following tables, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, subject to pro rata reduction of such scheduled mandatory redemption payments to the extent that such Bonds are redeemed prior to maturity otherwise than pursuant to such scheduled mandatory redemption:

**Bonds Maturing February 1, 20**

Redemption Date	Principal Amount	Redemption Date	Principal Amount
-----------------	------------------	-----------------	------------------

*\*Maturity*

In the case of redemption of less than all Bonds Outstanding pursuant to paragraph (a) above, the Registrar shall select by lot the maturities of the Bonds to be redeemed, and the principal amount to be redeemed from each maturity. If less than all of the Outstanding principal amount of the Bonds of a specific maturity are to be redeemed, the specific Bonds to be redeemed shall be selected by the Registrar at random or in such manner as the Registrar shall deem fair and appropriate.

Notice of redemption shall be given by first class mail, postage prepaid, mailed not less than fifteen (15) days prior to the Redemption Date, to each Holder of Bonds to be redeemed at the address of the Holder appearing in the Bond Register. For Bonds registered to Cede & Co., as nominee of DTC, notice of redemption may instead be given by electronic notice, sent not less than fifteen (15) days prior to the Redemption Date. No defect in or failure to give notice by mail to any Holder shall affect the validity of the proceedings for redemption of any Bond held by any Holder to which proper notice by mail has been given.

The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Minnesota, particularly the Act, and pursuant to Resolution No. \_\_\_\_\_ adopted by the Board of Commissioners of the Issuer on October 4, 2010 (the "Resolution"). The Bonds are special obligations payable solely from Available Tax Increment and certain other funds pledged to the payment of the Bonds and interest thereon.

The Bonds are issued by the Issuer to aid in financing a project under the Act. The Bonds do not constitute a general or moral obligation of the State of Minnesota or its political subdivisions, including the Issuer. The Bonds, including interest thereon, are payable solely from the revenues and assets expressly pledged to the payment thereof. The Bonds shall not constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness.

As provided in the Resolution and subject to certain limitations therein set forth, this Bond is transferable by the Holder in person or by his, her or its attorney duly authorized in writing at the principal office of the Registrar upon presentation and surrender hereof to the Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and Registrar duly executed by, the Holder hereof or his, her or its attorney duly authorized in writing. Thereupon the Issuer shall execute and the Registrar shall authenticate and deliver, in exchange for this Bond, one or more new fully registered Bonds in

the name of the transferee (but not registered in blank or to “bearer” or similar designation) of the same series, of an authorized denomination or denominations, for the same aggregate principal amount and of the same stated maturity and interest rate.

The Bonds are issued as fully registered bonds in the denomination of \$25,000 and integral multiples of \$1,000 in excess of \$25,000. The Bonds are exchangeable for one or more Bonds of the same series, aggregate principal amount, interest rate and maturity date, upon surrender thereof by the Holder at the principal office of the Registrar, in the manner and upon payment of the charges provided in the Resolution.

The Registrar may require payment of a sum sufficient to cover any tax, fee or other governmental charge required to be made in connection with the transfer or exchange of this Bond.

The Issuer, Registrar and any agent of the Issuer or Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except as otherwise provided with respect to the Record Date) and for all other purposes, whether or not this Bond shall be overdue, and the Issuer, Registrar and agents of the Issuer or Registrar shall not be affected by notice to the contrary.

The Bonds have been designated by the Issuer as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended.

Capitalized terms which are used but not defined herein shall have the same meanings given them in, or pursuant to, the Resolution.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution unless the Certificate of Authentication hereon shall have been executed by the Registrar.

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 execution and delivery of the Resolution and in the issuance of this Bond, have been done, have happened and have been performed, in regular and due form, time and manner as required by law, and that this Bond, together with all other obligations of the Issuer outstanding on the Date of Original Issue hereof and on the date of its issuance and delivery to the purchaser, does not exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the Economic Development Authority in and for the City of Minnetonka, has caused this Bond to be executed in its name and on its behalf by the facsimile signatures of its authorized officers, as of the Date of Original Issue first above written.

**ECONOMIC DEVELOPMENT AUTHORITY  
IN AND FOR THE CITY OF MINNETONKA**

as Issuer

By \_\_\_\_\_  
Its President

By \_\_\_\_\_  
Its Executive Director

**REGISTRAR'S CERTIFICATE OF AUTHENTICATION**

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

Date of Registration:

\_\_\_\_\_, 2010

**CITY FINANCE DIRECTOR,**  
as Registrar

By \_\_\_\_\_  
Responsible Agent

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
(Please Print or Typewrite Name and Address of Transferee)  
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints  
\_\_\_\_\_ attorney to transfer the within Bond on the books kept for  
registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Please Insert Social Security Number or  
Other Identifying Number of Assignee.

\_\_\_\_\_  
Notice: The signature to this assignment must  
correspond with the name as it appears on the  
face of this Bond in every particular, without  
alteration or any change whatever.

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the  
Securities Transfer Agent Medallion Program (“STAMP”), the Stock Exchange Medallion  
Program (“SEMP”), the New York Stock Exchange, Inc. Medallion Signatures Program  
(“MSP”) or other such “signature guarantee program” as may be determined by the Registrar in  
addition to, or in substitution for, STEMP, SEMP or MSP, all in accordance with the Securities  
Exchange Act of 1934, as amended.

The Registrar will not effect transfer of this Bond unless the information concerning the  
assignee requested below is provided.

Name and Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(Include information for all joint owners if this Bond is  
held by joint account.)

## ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations

TEN COM — as tenants in common

TEN ENT — as tenants by entireties

JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT —  
\_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)  
under Uniform Gifts or Transfers to Minors  
Act \_\_\_\_\_ (State)

Additional abbreviations may also be used though not in the above list.

**NEW ISSUE  
Book-Entry Only**

**NOT RATED**

*In the opinion of Bond Counsel, under existing laws as presently enacted and construed, and assuming compliance with certain covenants described herein, interest on the Bonds is not includable in gross income for purposes of Federal income taxation, is not includable in alternative minimum taxable income for purposes of the Federal alternative minimum tax applicable to individuals, and is not includable in net taxable income of individuals, estates, and trusts for purposes of State of Minnesota income taxation. The Bonds will be designated as "qualified tax-exempt obligations." The opinion of Bond Counsel contains greater detail, and is subject to exceptions, as noted in "TAX EXEMPTION OF BONDS," "LEGAL MATTERS," and "APPENDIX A—FORM OF BOND COUNSEL OPINION" herein.*

\$ \_\_\_\_\_ \*  
**ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR  
 THE CITY OF MINNETONKA, MINNESOTA  
 TAX INCREMENT REVENUE BONDS, SERIES 2010  
 (GLEN LAKE PROJECT, PHASES I & II)**

**Dated: Date of Delivery**

**Due: February 1, as shown below**

The Tax Increment Revenue Bonds, Series 2010 (Glen Lake Project, Phases I and II), described in this Official Statement (the "Bonds") are being issued by the Economic Development Authority in and for the City of Minnetonka, Minnesota (the "Issuer" or the "Authority"). The Bonds are payable solely from certain tax increment revenues resulting from increases in taxable valuation of certain property included in a tax increment financing district in the City of Minnetonka, Minnesota (the "City"), a portion of which is pledged to the payment thereof under the a resolution approved by the Board of Commissioners of the Authority on October 4, 2010 (the "Resolution"), and are not otherwise payable from any of the Issuer's general funds, taxes, revenues or any other assets of the Issuer.

The Bonds are being issued to refinance certain "Public Redevelopment Costs" (as hereinafter defined) in connection with the construction of 52 rental housing units and approximately 19,500 square feet of commercial facilities (the "Phase I Improvements") and 67 independent living units and 79 assisted living units and memory care units (the "Phase II Improvements"), as part of a multi-phased development (the "Overall Development") located along Excelsior Boulevard in the City. The Bonds are payable solely from tax increment revenues attributable to certain improvements located in the Glen Haven Tax Increment Financing District (the "TIF District") established by the Authority and the City.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2011. All Bonds bear interest from their date of delivery, at the interest rates per annum set forth below in the maturity schedule and are scheduled to mature in the years and in the principal amounts for each of such years as set forth in the following maturity schedule.

**MATURITY SCHEDULE**

<b>Due (February 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP</b>	<b>Due (February 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>CUSIP</b>
\$ _____	_____	_____ %	_____	_____	_____	_____ %	_____
\$ _____	_____	_____ %	_____	_____	_____	_____ %	_____
\$ _____	_____	_____ %	_____	_____	_____	_____ %	_____

**Price of Serial Bonds — 100%**

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE CITY, THE STATE OF MINNESOTA, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE BONDS ARE NOT GENERAL OR MORAL OBLIGATIONS OF THE ISSUER OR THE CITY AND ARE NOT PAYABLE FROM THE GENERAL REVENUES OF THE ISSUER OR THE CITY. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM AMOUNTS PLEDGED BY THE ISSUER TO THE PAYMENT OF THE BONDS UNDER THE RESOLUTION.

The Bonds are offered when, as and if issued by the Issuer and received by Dougherty & Company LLC, as Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice and to the approval of legality of the Bonds by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Dorsey & Whitney LLP, Minneapolis, Minnesota. For details of the Underwriter's compensation, see "UNDERWRITING" herein. It is expected that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about \_\_\_\_\_, 2010.

**DOUGHERTY & COMPANY LLC**

The date of this Official Statement is \_\_\_\_\_, 2010

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES UNDER THE SECURITIES OR BLUE SKY LAWS OF THE STATES IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THESE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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No person has been authorized by the Issuer or the Underwriter to give any information regarding the Bonds, the offering contained herein and related matters or to make any representations other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which it is unlawful for any person to make such offer or solicitation. The information set forth herein has been provided by or on behalf of the Issuer. Neither the Issuer nor the Underwriter makes any guarantee as to accuracy or completeness of such information, and its inclusion herein is not to be construed as a representation by the Underwriter or the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement at any time nor any sale made hereunder creates any implication that the information herein is correct as of any time subsequent to its date.

The statements contained in this Official Statement that are not purely historical, are forward-looking statements. Forward-looking statements may be found under “INTRODUCTORY STATEMENT,” “INVESTMENT CONSIDERATIONS” AND “SOURCES AND PAYMENT AND SECURITY FOR THE BONDS,” as well as other sections of the official statement. Also, forward-looking statements include statements in which words such as “believe,” “expect,” “anticipate,” “intend,” “will,” or similar expressions are used. Potential investors should not place undue reliance on forward-looking statements. All forward-looking statements are made as of the date of this Official Statement, but are necessarily based on assumptions of future events, which have been provided by the Issuer. The Issuer has not assumed any obligation to update any such forward-looking statements. While the Issuer has no reason to believe that the assumptions that have been used in these forward-looking statements are not reasonable, these assumptions involve judgments with respect to, among other things, future economic conditions, future business decisions, and future legal and regulatory circumstances and conditions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. As a result, actual results will undoubtedly differ, and may differ materially, from those discussed in such forward-looking statements.

**OFFICIAL STATEMENT**

\$ \_\_\_\_\_\*

**ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR  
THE CITY OF MINNETONKA, MINNESOTA  
TAX INCREMENT REVENUE BONDS, SERIES 2010  
(GLEN LAKE PROJECT, PHASES I & II)**

**INTRODUCTORY STATEMENT**

The purpose of this Official Statement, including the cover page of and the appendices to this Official Statement, is to provide material information with respect to the above-referenced obligations (the “Bonds”) of the Economic Development Authority in and for the City of Minnetonka, Minnesota (the “Issuer” or the “Authority”).

This Introductory Statement is not a summary of this Official Statement. This Introductory Statement provides information with respect to the Bonds and the transactions related to the issuance of the Bonds and is a guide to additional information contained in this Official Statement, including the cover page and the appendices to this Official Statement, and the documents described, set forth, or summarized herein. The Bonds are offered to potential investors by means of this entire Official Statement, including the cover page and the appendices to this Official Statement. Purchasers of the Bonds should review the entire Official Statement prior to purchasing any of the Bonds and are encouraged to consult with their investment advisors with respect to the purchase, ownership, and transfer of Bonds.

The Issuer has previously created the Glen Lake Station Housing Development and Redevelopment Project within the City of Minnetonka (“City”) pursuant to Minnesota Statutes, Section 469.001 to 469.047 (the “Project”) and, within the Project, the Issuer and the City have previously approved a tax increment financing plan (the “Plan”) for Glen Haven Tax Increment Financing District (the “TIF District” or “District”) pursuant to Minnesota Statutes, Sections 469.174 to 469.1799 (the “TIF Act”). Pursuant to 2009 Minnesota Laws, Chapter 88, Article 5, Section 15 (the “Special Law”) and resolutions adopted by the City on August 3, 2009, and September 14, 2009, the duration of the TIF District was extended until 2029. The TIF Act and the Special Law are hereinafter referred to as the “Act.”

The purpose of the Project and Plan is to provide for the demolition of certain structures, site remediation, and the construction of:

(1) 52 rental housing units (consisting of approximately 48,000 net rentable square feet) and approximately 19,500 square feet of commercial facilities, plus parking facilities (the “Phase I Improvements” or “Phase I”) located at 14414 Stewart Lane and 14403 Excelsior Boulevard, respectively, in the City (legally described as Lot 1, Block 1, The Exchange, according to the recorded plat thereof, Hennepin County, Minnesota, and hereinafter the “Phase I Property”);

(2) 67 independent living units, 55 assisted living units and 24 memory care units (consisting of approximately 107,000 net rentable square feet), plus parking facilities (the “Phase II Improvements” or “Phase II”) located at the corner of Woodhill Road and Tree Street in the City (together with an existing adjacent shopping center, legally described as Lots 1 and 2, Block 1, Glen Haven Shopping Center, according to the recorded plat thereof, Hennepin County, Minnesota, and hereinafter the “Phase II Property”); and

(3) 44 for-sale condominium housing units (consisting of approximately 79,000 net saleable square feet), plus parking facilities (the “Phase III Improvements” or “Phase III”) located at 14401, 14407, 14413 and 14517 Excelsior Boulevard and 14324 Stewart Lane in the City (legally described as Lot 1, “Glen Lake Park,” except the

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\* Preliminary, subject to change.

East 570 feet of Lot 1, according to the recorded plat thereof, Hennepin County, Minnesota, and hereinafter the “Phase III Property”).

The Phase I Improvements, the Phase II Improvements and the Phase III Improvements are part of a multi-phased, 8.5-acre housing and commercial development hereinafter referred to as the “Overall Development.”

In order to accomplish the Overall Development, the Authority entered into that certain Second Amended and Restated Contract for Private Redevelopment dated as of January 4, 2010 (the “Redevelopment Agreement”) by and between Glen Lake Redevelopment LLC, a Minnesota limited liability company (the “Redeveloper”), and consented to by The Exchange Development LLC, a Minnesota limited liability company (the “Phase I Subdeveloper”), and Kinsel Point Development LLC, a Minnesota limited liability company (the “Phase III Subdeveloper”), as permitted assignees under the Redevelopment Agreement. Pursuant to that certain Assignment and Assumption dated as of September 1, 2010 (the “Assignment”), by and between the Redeveloper and Glen Lake Senior Housing, LLC, a Minnesota limited liability company (the “Phase II Subdeveloper”), certain of the rights and duties under the Redevelopment Contract with respect to Phase II have been assigned by the Redeveloper and assumed by the Phase II Subdeveloper.

The Phase I Improvements have been completed in accordance with the Redevelopment Agreement as of August 23, 2008. Under the Redevelopment Agreement and the Assignment, the Phase II Subdeveloper is obligated to commence construction of the Phase II Improvements no later than August 31, 2012, and complete construction no later than June 30, 2014. Under the Redevelopment Agreement, the Redeveloper is obligated to commence construction of the Phase III Improvements no later than June 30, 2013, and complete construction no later than June 30, 2014. However, pursuant to a Temporary TIF Authority Assistance Agreement, dated as of \_\_\_\_\_, 2010, between the Authority and the Phase II Subdeveloper, in exchange for additional financial incentives from the City and the Authority, the Phase II Subdeveloper has agreed to commence construction of the Phase II Improvements no later than July 1, 2011. Under the Redevelopment Agreement, the Redeveloper is entitled to be reimbursed for the costs of acquiring and redeveloping the Overall Development, including relocation costs, demolition, environmental costs, pedestrian and streetscaping improvements, utility line relocation, land acquisition, and legal, consulting and financing costs and such other costs as were approved by the Authority (the “Public Redevelopment Costs”), all through issuance of the tax increment revenue notes described below.

The Issuer has previously issued its \$2,478,237.28 principal amount note to the Redeveloper to reimburse the Redeveloper for Public Redevelopment Costs related to the Overall Development (the “Phase I Note”), which Phase I Note is secured by certain tax increments from the Phase I Property and the Phase III Property. In addition, the Issuer has previously issued its \$1,276,263.00 principal amount note to the Redeveloper to reimburse Public Redevelopment Costs related to the Overall Development (the “Phase II Note”), which Phase II Note is secured by certain tax increments from the Phase II Property. The Issuer is issuing the Bonds to refinance the Phase I Note and the Phase II Note.

The Issuer authorized issuance of the Bonds by a resolution approved by its Board of Commissioners on October 4, 2010 (the “Resolution”). The Bonds will be issued in the original principal amount of \$\_\_\_\_\_ and will be payable solely from proceeds of the Bonds and a portion of the tax increment revenues generated by the TIF District. See “THE BONDS” herein.

The Bonds are not general or moral obligations of the Issuer or the City and neither general revenues of the Issuer nor the City will be used for the payment of the Bonds. The Bonds are special limited obligations of the Issuer payable solely from the proceeds thereof and a portion of tax increment revenues generated by the TIF District. The Bonds do not constitute a debt of the Issuer, the City, Hennepin County (the “County”) or the State of Minnesota (the “State”) within the meaning of any constitutional or statutory provisions, nor do they constitute or give rise to a charge against the general credit or taxing power of the Issuer or the City.

This Official Statement contains descriptions of, among other things, the Bonds, the Redevelopment Agreement, the Assignment, the Resolution, the Issuer, the Redeveloper, the Phase II Subdeveloper, the Overall Development, the Phase I Improvements, the Phase II Improvements, the Plan, the TIF District, and Available Tax Increment. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Redevelopment Agreement and the Resolution are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof, including the

Resolution. Copies of such documents can be obtained from the Underwriter or, after the issuance of the Bonds, from the Issuer. Any terms capitalized but not defined herein shall have the meanings assigned to such terms in “APPENDIX B – CERTAIN DEFINITIONS AND SUMMARY OF THE BOND RESOLUTION,” under the caption “DEFINITIONS OF CERTAIN TERMS.”

## **INVESTMENT CONSIDERATIONS**

Investment in the Bonds involves risk. Any purchaser of the Bonds (a “Purchaser”) should give careful consideration to the matters referred to in the following summary as well as to other information set forth elsewhere in this Official Statement. This discussion of investment considerations is not intended to be exhaustive. See also “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.”

### **Risks Associated with Collection of Tax Increment**

*Property Valuation.* Increases or decreases in the values of property in tax increment districts and in the taxing jurisdictions in which the districts are located will often have a significant impact on tax increment revenues. This impact can be difficult to measure, however. While a sudden and significant increase in property values in a tax increment district will almost certainly result in an increase in tax increment, other economic impacts are less predictable. For example, if property values in a jurisdiction are increasing substantially this might result in a reduction in local tax rates. Such a reduction could lead to a reduction in tax increment, particularly if the tax increment district has not experienced the same increases in property values as the jurisdiction generally.

Pursuant to the TIF Act, “tax increment” is calculated based upon the property taxes generated by *all real property* located within a single tax increment financing district that is permitted by the TIF Act to be allocated to pay the costs of the public activities undertaken in a project area. (See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Calculation of Tax Increment” herein). While the principal of and interest on the Bonds are payable solely from a portion of the Tax Increment derived from the Phase I Property the Phase II Property, and not the Phase III Property, negative tax increment (a reduction in the tax capacity of the property below the original tax capacity at the time of certification of Tax Increment District) attributable to Phase III Property may negatively affect the total tax increment payable to the Authority that would be otherwise attributable to the Phase I Property and the Phase II Property, resulting in less Tax Increment available to pay debt service on the Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Pledge of Available Tax Increment” herein.

*Changes in Law.* Legislative changes to the method of imposing and collecting taxes can have a significant impact on tax increment revenues. In June 2001, the Minnesota Legislature, acting during a special session, adopted the Minnesota Omnibus Tax Act (the “2001 Tax Act”), which significantly modified the State’s property tax system. Under the 2001 Tax Act, the state assumed the responsibility for financing a portion of the elementary and secondary education, and the local school districts’ State-determined general education levy and the first \$415-per-pupil of each school district’s referendum levy was eliminated. To help offset the loss of local school district property taxes, the 2001 Tax Act imposed a new statewide education property tax on commercial and industrial property and seasonal recreational property. This statewide levy is not included when determining the amount of tax increment revenues that are derived from a tax increment district. The 2001 Tax Act also compressed property class rates so that the remaining property tax burden falls more evenly on all properties.

The 2001 Tax Act did not alter the way tax increment revenues are calculated; however, the 2001 Tax Act did alter certain existing property classification tax rates, create additional property classification tax rates, and eliminate still other property classification tax rates, all of which impacted the amount of tax increment revenues that are available to pay the principal of and interest on previously outstanding tax increment revenue obligations, and in some cases such impact was significant. The Minnesota Legislature has the power and authority to further modify such property classification tax rates, as well as the general formula for calculating tax increment revenues, at any time in the future, including during the period while the Bonds remain outstanding. Such alterations could directly affect the amount of tax increment revenues available to pay debt service on the Bonds.

*Local Tax Rate Risk.* The local tax rate varies depending on local fiscal needs and other sources of financing for local government. The total local tax rates in the past seven years for the property included in the TIF District have been as follows:

Pay 2005	1.00705
Pay 2006	0.99282
Pay 2007	0.94962
Pay 2008	0.93902
Pay 2009	0.97884
Pay 2010	1.06008

The projections of available tax increment for the Bonds apply the local tax rate of 0.99282 and assume it will remain the same throughout the life of the Bonds. Although increases, if any, in the local tax rate above the “original local tax rate” do not result in increases in available tax increment, an aggregate reduction in local tax levies by the City, County, school district and miscellaneous taxing jurisdictions would reduce the local tax rate and, therefore, the amount of available tax increment. The local tax rate could continue to decline over the term of the Bonds due to increases in the citywide tax base as a result of construction, inflation of property values and phasing-out of the statutory limitation on the increase in assessed market value of residential property and other factors. In addition, the legislature could alter local government financing mechanisms in a way that reduces reliance on local property taxes. For example, increased state aids, grants or other revenue sources could reduce the need of one or more of the local governments to levy property taxes, which in turn would reduce the total local tax rate applicable to the Property.

*Judicial Review of Validity of Tax Increment District.* The Court of Appeals of Minnesota, in a decision filed November 13, 2001, affirmed without opinion by the Supreme Court of the State by order dated May 23, 2002, held, in effect, that the findings of fact made by an issuer in the creation of a tax increment district are subject to judicial review, upon suit brought by the owner of taxable property in the City, without limitation on the period within which such suit may be brought. In 2005, the Minnesota Legislature enacted Minnesota Statutes, Section 469.1771, subdivision 7, which mandates that any challenge brought by a taxpayer to such findings be brought within the later of 180 days after such findings or 90 days after the request for tax increment district certification. Those time periods have expired for both the findings made upon creation of the TIF District, and for the findings made under the Special Law to extend the duration of the TIF District; therefore, taxpayer challenges to all relevant TIF District findings should be barred. It is not clear, however, that an action brought by the County Attorney under the TIF Act based upon a State Auditor examination or audit of the TIF District would be similarly precluded. Issuer’s counsel will deliver its opinion at closing that the TIF District was validly created and is validly existing under the laws of the State. As to questions of fact material to Issuer’s counsel’s opinion, including without limitation the factual basis for any findings made by the Issuer in connection with establishment of the TIF District, Issuer’s counsel will rely upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to it without undertaking to verify the same by independent investigation.

**Fiscal Disparities**

The Fiscal Disparities Act was adopted by the Minnesota Legislature in 1971 and was implemented in 1974 following a ruling by the State Supreme Court that the act is constitutional. Generally, the objective of the Fiscal Disparities Act is to spread among the various municipalities in the seven-county Minneapolis/St. Paul metropolitan area in which the City is located the increase in tax base resulting from industrial and commercial development. The following discussion summarizes the operation of the Fiscal Disparities Act.

Pursuant to the provisions of the Fiscal Disparities Act, each municipality in the seven-county area is required to “pool” (i.e., contribute to an area-wide tax base) up to 40% of the amount by which the net tax capacity of commercial-industrial property subject to taxation therein exceeds the 1971 net tax capacity of commercial industrial property subject to taxation therein. (The actual amount of the contribution, up to 40%, is determined based on the ratio of commercial-industrial net tax capacity since 1971 to total commercial industrial net tax capacity within the City, and is referred to as the “fiscal disparity ratio.”) The total area-wide tax base (the “Metropolitan Pool”) is determined by aggregating the contribution of each municipality within the seven-county

area. The Metropolitan Pool is then reallocated among all municipalities in the seven-county area basically in direct proportion to population and in inverse proportion to fiscal capacity, where fiscal capacity is measured by the market value of real property within the municipality divided by its population. Municipalities with large populations and low fiscal capacity are thus favored in the reallocation over those municipalities with small populations and large fiscal capacity. Each municipality's official net tax capacity for purposes of levying taxes is determined by adding (1) all residential net tax capacity and all commercial-industrial net tax capacity therein, exclusive of the contribution to the Metropolitan Pool (collectively, the "local net tax capacity"), and (2) the municipality's share of the Metropolitan Pool. The tax levy of the municipality is similarly divided by the county auditor into two components: (a) the portion that will be raised on the local net tax capacity; and (b) the portion that will be raised on the Metropolitan Pool. The tax levy of the municipality is basically divided in the same proportion as the municipality's share of the Metropolitan Pool bears to the local net tax capacity. The municipality's local tax rate is determined by dividing the local levy by the local net tax capacity. The other portion of the municipality's tax levy, i.e., the levy that will be raised on the Metropolitan Pool, is added with the comparative levies for every other municipality in the seven-county area to arrive at the total dollar levy on the Metropolitan Pool. The area-wide tax rate is then determined by dividing the total levy on the Metropolitan Pool by the total net tax capacity of the Metropolitan Pool. The tax rates determined above are applied to all taxable property in the municipality as follows: (i) all residential property and the "local" portion of commercial industrial property are subject to the local rate; and (ii) the portion of the commercial industrial property in the municipality contributed to the Metropolitan Pool is subject to the area-wide tax rate. When the area-wide tax levies have been collected, they are channeled through each county to the State government and distributed to the municipalities.

The application of fiscal disparities affects the amount of Available Tax Increment (as hereinafter defined). The Issuer and the City have elected to exclude from the calculation of Available Tax Increment the net captured tax capacity of the portion of the Phase I Improvements that is subject to the area-wide tax rate (that is, only the commercial portion). This exclusion is determined by applying the "fiscal disparity ratio" to the net captured tax capacity of the commercial portion. The fiscal disparity ratio is calculated in each year and has been as follows for the years indicated:

Pay 2005	39.6515%
Pay 2006	35.5368%
Pay 2007	36.2227%
Pay 2008	35.1249%
Pay 2009	36.9792%
Pay 2010	39.1397%

Because of the lag in determining the fiscal disparity ratio, none of the ratios set forth above include the effect of the completed commercial portion of the Phase I Improvements. The fiscal disparity ratio used for projection of Available Tax Increment is 39.1397% for pay 2010 and thereafter. This projection does not account for the possible impact on the fiscal disparity ratio of other future commercial-industrial development in the City. The fiscal disparity ratio cannot exceed 40%. Increases in the fiscal disparity ratio, which will generally result from increases in commercial-industrial net tax capacity (whether in or out of the TIF District), will have the effect of reducing the amount of tax increment derived from the commercial portions of the TIF District and the commercial portions of the Phase I Improvements, and may cause Available Tax Increment to be less than projected. The Phase II Improvements consist entirely of housing, so those improvements are not subject to the Fiscal Disparities Act.

The application of fiscal disparities also affects the determination of the local tax rate applicable to the TIF District, because a portion of the City's tax levy will be spread on the Metropolitan Pool. Therefore, the local tax rate may be affected by discrepancies in the rate of commercial-industrial development inside the City and in other taxing jurisdictions in the seven-county metropolitan area.

It is difficult to predict the impact of the fiscal disparities provisions on the amount of Available Tax Increment over the term of the Bonds.

**Risk of Non-Payment of Taxes**

The Bonds are not general or moral obligations of the Issuer or the City. The Bonds are limited obligations of the Issuer, payable only to the extent of Available Tax Increment (as hereinafter defined). The Issuer has no obligation to make payments with respect to the Bonds except as provided in the Resolution. In the event that individual property owners fail to pay their taxes when due, the amount of Available Tax Increment may not be sufficient to pay principal and interest when due on the Bonds.

**Tax Lien Foreclosure**

The Bonds are not secured by a mortgage lien or other real estate security interest in any property or real estate in the TIF District. The Bonds are payable solely from and secured by (i) proceeds of the Bonds deposited to the Capitalized Interest Fund; (ii) Available Tax Increment deposited to the Bond Fund; and (iii) proceeds of the Bonds and Available Tax Increment deposited in the Reserve Fund. A statutory tax lien will be imposed on any taxable parcel in the TIF District in favor of the County if real property taxes imposed on such parcel are not paid when due. In the event that generally applicable property taxes are not paid in full in the amounts and at the times such property taxes are due and payable, then the County, as the party responsible for the collection of such delinquent taxes, will have a first and perpetual lien on the applicable property. For property located in the TIF District, the property owner generally has three (3) years to redeem such property by the payment of all unpaid taxes plus penalties and interest. If such property taxes are not paid, the property is declared tax forfeited with title held in trust by the County until sold. Upon any such tax forfeiture sale, any sale proceeds, after the payment of fees and expenses, will be remitted to the various taxing jurisdictions in the County, and to the extent that any parcel of the TIF District is subject to a tax forfeiture sale, any sale proceeds payable to the Issuer would not be tax increment. In addition, interest paid on delinquent taxes does not constitute tax increment revenues and is not pledged or available to debt service on the Bonds.

**Construction Risks**

The availability of tax increment revenues is dependent, in part, upon completion of construction of the Phase II Improvements. Construction of any facility is subject to the risks of cost overruns and delays due to a variety of factors including, among other things, site difficulties, necessary design changes or final detailing, labor strife, delays in and shortages of materials, weather conditions, fire and casualty. Any delay in completion of the Phase II Improvements could materially adversely affect the receipt of tax increment revenues.

## **Risk of Destruction**

The availability of tax increment revenues is dependent upon the payment of taxes related to buildings comprising the Phase I Improvements and the Phase II Improvements in the TIF District. In the event that any of these buildings are destroyed and must be rebuilt, the property value would be substantially diminished, resulting in reduced taxes and a potentially substantial reduction or elimination of the tax increment. In such an event, because the Bonds are payable solely from the Available Tax Increment, payments on the Bonds would also be reduced or eliminated. Under the terms of the Redevelopment Agreement and the Assignment, the Phase II Subdeveloper is required to maintain, during the process of construction, builder's risk insurance on the Phase I Improvements in an amount equal to 100% of insurable value; and the Redeveloper and the Subdeveloper are required to maintain, upon completion of construction, insurance against loss or damage under a policy or policies covering such risks as are ordinarily insured against by similar businesses.

## **Environmental Matters**

There are numerous environmental risks that can arise in connection with real estate investments, including, without limitation: (1) areas of on-site and off-site environmental contamination; (2) past, present, or future violations of environmental laws; (3) adequacy of waste handling procedures; and (4) potential environmental restrictions on future uses of property. The Property, like other types of commercial real estate, may be subject to such environmental risks which can result in a decrease in the market value. [DISCUSS PHASE I ENV. ASSESSMENT, ETC.]

## **Limited Debt Service Reserve Fund**

The Bonds will be secured by a debt service reserve fund (the "Reserve Fund") that is funded to the "Reserve Requirement," which is the lesser of (i) ten percent (10%) of the original aggregate principal amount of the Bonds; (ii) 125% of average annual debt service on the Bonds; or (iii) 50% of maximum annual debt service on the Bonds. On each February 1, if the Issuer has on hand Available Tax Increment received by the Issuer in the previous twelve months that is in excess of the amount needed to pay debt service due on the Bonds on that February 1 Payment Date and the immediately previous August 1 Payment Date, after taking into account any amounts then on deposit in the Bond Fund (the "Excess Available Tax Increment"), such Excess Available Tax Increment will be credited to the Reserve Fund in any amount necessary to restore the balance therein to the Reserve Requirement.

## **Limited Pledge of Issuer**

The Issuer is only obligated under the Resolution to make payments due on the Bonds from the Available Tax Increments and from money held in the Capitalized Interest Fund and the Reserve Fund and no other funds or sources of revenues are pledged or available to pay the principal of or interest on the Bonds. The Bonds are not secured by the full faith and credit or taxing powers of the Issuer or the City and are not general or moral obligations of the Issuer or the City within the meaning of any constitutional or statutory authority.

## **Absence of Rating**

An investment in the Bonds involves a high degree of risk. Accordingly, the Bonds have no credit rating. Typically, unrated bonds lack liquidity in the secondary market in comparison with rated bonds. As a result of the foregoing, the Bonds are believed to bear interest at higher rates than would prevail for bonds with comparable maturities and redemption provisions that have investment grade credit ratings. Nevertheless, the Bonds should not be purchased by any investor who, because of financial condition, is unable to bear a loss on an investment in the Bonds, or who, because of investment policies or otherwise, does not desire to assume, or have the ability to bear, the high degree of risk inherent in an investment in Bonds.

## **Risk of Relying on Projection of Available Tax Increment**

Payments on the Bonds have been structured assuming that Available Tax Increment will be equal to the levels projected in the table attached as Exhibit C hereto and described under the heading "TAX INCREMENT CASH FLOW PROJECTIONS" in this Official Statement. Actual future events, however, may prove to be

substantially different from the assumptions made by the Issuer. Accordingly, actual future Available Tax Increment derived from the TIF District will likely vary from such projections. No assurance can be given that events will not cause the collection of Available Tax Increment to vary materially from the amounts projected in the table attached as Exhibit C hereto and described under the heading “TAX INCREMENT CASH FLOW PROJECTIONS” in this Official Statement.

### **Lack of Secondary Market**

Neither the Underwriter nor any other securities dealer is obligated to engage in secondary market trading of the Bonds or to purchase any of the Bonds at the request of the holders thereof. No assurance can be given that a secondary market in the Bonds will be created or, if created, such a market will continue to exist.

### **Bankruptcy**

If a municipality or political subdivision, such as the Issuer, is generally not paying, or is unable to pay, its debts as they become due, and is authorized by state law to file for bankruptcy under the United States Bankruptcy Code (the “Bankruptcy Code”), it may file a petition under Chapter 9 commencing a proceeding under the Bankruptcy Code. The purpose of such a proceeding is to provide for a plan for adjustment of the municipality’s debts that is binding on all creditors of the municipality. A bankruptcy plan must be proposed and approved by the municipality and confirmed by the bankruptcy court. It cannot bind the creditors unless approved by two-thirds of the allowed amount of each class and more than one-half of the number of creditors or unless the court determines that the plan does not discriminate unfairly and is fair and equitable with respect to each of the non-consenting claims impaired. A municipality may not be involuntarily forced into a Chapter 9 bankruptcy proceeding.

No person may institute a Chapter 9 proceeding against the Issuer or otherwise put the Issuer into bankruptcy under the Bankruptcy Code, and it is unsettled as to whether State law generally authorizes the Issuer to file for a Chapter 9 proceeding. If the Issuer should ever institute a Chapter 9 proceeding, under current law, holders of the Bonds will continue to hold a post-petition first lien security interest in the Available Tax Increment.

## **THE BONDS**

### **General**

The Bonds are issuable only as fully-registered bonds without coupons in denominations of \$25,000 and in any integral multiples thereof. The Bonds will be dated as of their date of delivery, and will bear interest from that date at the rates and will mature on the dates and in the amounts set forth on the cover to this Official Statement. Interest on the Bonds will be payable semi-annually on each February 1 and August 1, commencing February 1, 2011.

### **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds in the principal amount of Bonds maturing on that date, and will be deposited with DTC. At the election of the Issuer, one fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct

Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation and Fixed Income Clearing Corporation. All of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchase of Bonds under the DTC system must be made by or through Direct Participants which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of the ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to related documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its

nominee) or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest of the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Official Statement under the Caption “THE BONDS – Book-Entry Only System” concerning DTC and DTC’s book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

**Redemption**

The Bonds are subject to redemption and payment prior to maturity only under the conditions and subject to the terms as summarized below.

*Optional Redemption.* The Bonds may be redeemed at the option of the Issuer on or after February 1, 20\_\_, on any date for which timely notice of redemption can be given, at a redemption price equal to the principal amount of the Bonds so redeemed , plus interest accrued thereon to the redemption date.

*Scheduled Mandatory Redemption.* The Bonds due February 1, 20\_\_, 20\_\_ and 20\_\_ are subject to scheduled mandatory redemption on the mandatory sinking fund redemption dates and in the principal amounts set forth in the following tables, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, subject to pro rata reduction of the scheduled mandatory redemption payments to the extent that the Bonds are redeemed prior to maturity otherwise than pursuant to such scheduled mandatory redemption:

Term Bonds Maturing February 1, 20__	
Sinking Fund Payment Date	Principal Amount

\_\_\_\_\_  
\* Maturity

Term Bonds Maturing February 1, 20__	
Sinking Fund Payment Date	Principal Amount

\_\_\_\_\_  
\* Maturity

Term Bonds Maturing February 1, 20\_\_

Sinking Fund Payment Date	Principal Amount
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\* Maturity

*Notice of Redemption.* Notice of redemption shall be given by first-class mail, postage pre-paid, mailed not less than fifteen (15) days prior to the Redemption Date, to each Holder of Bonds to be redeemed at the address of such Holder appearing in the Bond Register. For Bonds registered to Cede & Co., as nominee of DTC, notice of redemption may instead be given by electronic notice, sent not less than fifteen (15) days prior to the Redemption Date. Neither failure to give notice by mail to any Holder, nor any defect in any notice so mailed, shall affect the validity of the proceedings for redemption of the Bonds held by any Holder to which proper notice by mail has been given.

All notices of redemption shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the principal amount of Bonds to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, specifying the CUSIP numbers of the Bonds to be redeemed and their registration number and stated Maturity; (iv) that on the Redemption Date, the Redemption Price will become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after such date, provided that if redemption is conditioned on funds being deposited in the Bond Fund in an amount sufficient to effect such redemption, this condition shall be stated in the notice and if sufficient funds are not so deposited in the Bond Fund, the Bonds to be redeemed shall not be due and payable on the Redemption Date and interest shall continue to accrue thereon; and (v) the place or places where such Bonds are to be surrendered for payment of the Redemption Price.

**Additional Bonds**

Pursuant to the Resolution, the Issuer has covenanted not to pledge or encumber Available Tax Increment in any manner that would create a pledge, lien or encumbrance against the Available Tax Increment superior to, or on a parity with, the pledge of Available Tax Increment to the Bonds. However, this covenant does not preclude an expressly subordinate pledge of Available Tax Increment, and the pledge of Available Tax Increment from any parcel within the TIF District may be released from the pledge to the Bonds under the Resolution upon a determination by the Issuer that, after such release, the Available Tax Increment is projected to be sufficient to produce debt service coverage for the Bonds of at least 125 percent. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Pledge of Available Tax Increment” below.

**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**

**General**

Payment of the principal of, premium, if any, and interest on the Bonds is payable solely from certain tax increment revenues described herein.

**Special, Limited Obligations**

The Bonds are not general or moral obligations of the Issuer or the City, and no taxing power of the Issuer or the City is pledged to the payment of the principal of or the interest or premium, if any, thereon, except to the extent Available Tax Increment is pledged to payment of the Bonds. The Bonds do not constitute an indebtedness,

within the meaning of any constitutional or statutory limitation nor constitute or give rise to a charge against the general credit, assets, taxing powers, or other revenues (except the Available Tax Increment) of the Issuer or the City. The Bonds are special, limited obligations of the Issuer payable solely from and secured solely by the Available Tax Increment and the money held in the Capitalized Interest Fund and the Reserve Fund.

### **Tax Increment**

Tax increment financing is a method of financing the public costs associated with the development and redevelopment of project areas established within the jurisdictional boundaries of various governmental entities in the State. In order to eliminate blighted conditions or the economic underutilization of certain areas of a municipality, an authority may determine that it is necessary to undertake certain public activities to induce private development or redevelopment of such areas. Such activities include land acquisition, site improvements such as the demolition and clearance of acquired parcels, and the construction of public improvements such as streets, sidewalks, street lighting, parking lots, deck parking, parking ramps, and similar facilities. A portion of the taxes generated by the subsequently constructed private improvements in such project areas are specially allocated to pay the costs of the public activities under the theory that such additional taxes would not have been present were it not for the development or redevelopment activities undertaken by the authority in such project areas. The term “tax increment” under TIF Act refers to the portion of property taxes generated within a tax increment financing district that is permitted by the Tax Increment Act to be allocated to pay the costs of the public activities undertaken in a project area (including payment of the principal of and interest on bonds issued to pay such costs).

### **Pledge of Available Tax Increment**

As provided in the Redevelopment Agreement and the Resolution, “Tax Increment” means that portion of the real property taxes which is paid with respect to the Phase I Property and the Phase II Property and that is remitted to the Issuer as tax increment pursuant to the Act. The market value of the Redevelopment Property (as defined in the Redevelopment Agreement) and resulting original tax capacity (as defined in the TIF Act) will be allocated to the Phase I Property and Phase II Property on a square footage basis. The term Tax Increment does not include any amounts retained by or payable to the State auditor under Section 469.177, subd. 11 of the TIF Act, or any amounts described in Section 469.174, subd. 25, clauses (2) through (4) of the TIF Act.

The principal of and interest on the Bonds are payable solely from 95 percent of the Tax Increment derived from the Phase I Property the Phase II Property during the six-month period preceding each Payment Date and, if a Phase III Deficiency (as hereinafter defined) occurs on any Payment Date, then on any subsequent Payment Date after such Phase III Deficiency, Available Tax Increment includes 95% of the Tax Increment derived from the Phase III Property received as of that Payment Date, up to the amount necessary to cure the aggregate prior Phase III Deficiency (“Available Tax Increment”).

“Phase III Deficiency” means an occurrence of following conditions on any Payment Date: (1) pledged Available Tax Increment from the Phase I Property and the Phase II Property is insufficient to pay principal and interest then due on the Bonds, and (2) as of that Payment Date, there exists a reduction in Available Tax Increment from the Phase I Property and Phase II Property resulting from a decline in the current market value of the Phase III Property (for any tax-payable year) below that parcel’s original tax capacity (within the meaning the TIF Act) (“Phase III Negative Tax Increment”). In that event, the Phase III Deficiency on that Payment Date is the smaller of the debt service shortfall under clause (1) or the Phase III Negative Tax Increment under clause (2). Except as heretofor described, Tax Increment derived from the Phase III Property *is not* pledged to the payment of principal of and interest on the Bonds.

The pledge of Available Tax Increment from any parcel within the TIF District may be released from the pledge to the Bonds under the Resolution upon a determination by the Issuer that, after such release, the Available Tax Increment is projected to be sufficient to produce debt service coverage for the Bonds of at least 125 percent. Such projections will be based on market values, class rates, and the local rate applicable as of the date of the release.

*The Issuer and the City make no warranties or representations that Available Tax Increment will be sufficient to pay all or any portion of the principal of or interest on the Bonds.*

## Calculation of Tax Increment

In order to calculate the portion of the property taxes generated in a tax increment district that qualify as Tax Increment and is available to be allocated to payment of the public redevelopment costs of a project area, it is necessary to ascertain (1) the “estimated assessed market value” (or “Market Value”) of the taxable property in the tax increment financing district on the date the district is initially established and for each year thereafter while the district exists, (2) the “Class Rates” for each type of taxable property in the district, (3) the “Tax Capacity” of the taxable property in the tax increment financing district on the date the district was initially established and for each year thereafter while the district exists, and (4) the “Local Tax Rates” for all taxing jurisdictions in which the taxable property in the district is located. The Market Value of taxable property for ad valorem property tax purposes in Minnesota is established as of January 2 of the year of assessment. Through a statutory process consisting of a city appraisal with a mechanism for administrative appeals, a Market Value is assigned to each parcel of taxable property in the city or other taxing unit. At least one-fourth of all existing real estate in a taxing unit must be inspected and reappraised by the local assessor each year. The appraisal and review is completed by June 30 of each year and the Commissioner of Revenue of the State certifies final Market Values to the auditors of each county as of October 1. The Tax Capacity is determined by multiplying the Market Value for such property by percentage rates referred to as the Class Rates. The Class Rates of taxable property differ depending on the use and Market Values of such property. Minnesota law treats various types of taxable property differently for assessment purposes. A significant modification to the Minnesota property tax system that included compression of class rates in an attempt to have the property tax burden fall more evenly on all taxpayers was adopted by the Minnesota Legislature acting in special session in June 2001. Such legislation did not alter the way Tax Increment is calculated, but it did significantly modify the Class Rates for the various types of taxable property. Set forth below is a table indicating the Class Rates for certain major classes of taxable property for the years indicated:

<u>Property Classifications</u>	<u>Taxes Payable in 2006</u>	<u>Taxes Payable in 2007</u>	<u>Taxes Payable in 2008</u>	<u>Taxes Payable in 2009</u>	<u>Taxes Payable in 2010</u>
Commercial and Industrial Property:					
Market Value to \$150,000	1.50%	1.50%	1.50%	1.50%	_____%
Market Value in excess of \$150,000	2.00%	2.00%	2.00%	2.00%	_____%
Residential Rental of 4 or more units:					
Market Rate	1.25%	1.25%	1.25%	1.25%	_____%
Low-Income	0.75%	0.75%	0.75%	0.75%	_____%
Residential Homestead:					
Market Value to \$500,000	1.00%	1.00%	1.00%	1.00%	_____%
Market Value in excess of \$500,000	1.25%	1.25%	1.25%	1.25%	_____%

The captured tax capacity of a tax increment financing district (the “Captured Tax Capacity”) is the sum of the Tax Capacities of all taxable property in the district in excess of the original tax capacity (the “Original Tax Capacity”). The Original Tax Capacity of the taxable property in a tax increment financing district is the sum of the Tax Capacities of all taxable property in the district on the date of certification of the district for tax increment financing purposes (subject to certain adjustments required by the TIF Act). Changes in Captured Tax Capacity can result from many factors including changes in Class Rates, the construction of improvements in the tax increment financing district, or increases or decreases in the Market Values of existing property due to economic factors, inflation or deflation, administrative or judicial adjustments, casualties or wear and tear, or other factors.

The annual Tax Increment derived from a tax increment financing district is determined by multiplying the Captured Tax Capacity of the district by the combined Local Tax Rates of all taxing jurisdictions in which the tax increment financing district is located. The taxing jurisdictions for the TIF District include the City, Hennepin County, the school district and a number of special taxing entities (*e.g.*, Metropolitan Council, Metropolitan Transit Commission and Metropolitan Mosquito Control District). The combined Local Tax Rate is determined by the county auditors. Each of the taxing jurisdictions submits its tax levy to the county auditor. The county auditor determines the Local Tax Rate for each taxing authority by determining the rate at which the Tax Capacity of the taxable property in such jurisdiction, excluding the Captured Tax Capacities of all tax increment financing districts, must be taxed in order to generate the money required by such taxing authority. The lesser of (i) the combined

Local Tax Rate of all taxing authorities in which a tax increment financing district is located for the current year, or (ii) the original Local Tax Rate, which is the combined Local Tax Rates of all taxing authorities in which a tax increment financing district is located at the time of initial certification of the district, is then applied to the Tax Capacity of all taxable property, including the Captured Tax Capacities of all tax increment financing districts. The original Local Tax Rate for the TIF District was 0.99282. The money generated by the application of the combined Local Tax Rate to the Captured Tax Capacity is the Tax Increment, which, if collected, is paid to the municipality or authority that established the tax increment district.

In addition to taxes based on Tax Capacity of property as described above, certain taxes required by statute to be approved by voters are levied against the “referendum market value” of property, and not against the Tax Capacity. Such taxes, although assessed against property within the TIF District, are not included in the calculation of Tax Increment.

### **Limitations on Tax Increment Revenues**

There are many factors that can influence the Tax Increment generated by a tax increment district. See “INVESTMENT CONSIDERATIONS—Risks Associated with Collection of Tax Increment” for a discussion of such factors.

### **Reserve Fund**

The Resolution establishes the Reserve Fund. On the date of issuance of the Bonds, the Issuer will deposit \$\_\_\_\_\_ of the proceeds of the Bonds, representing the Reserve Requirement to the Reserve Fund securing the obligations issued under the Resolution. Money credited to the Reserve Fund will be transferred as necessary to provide for the payment of the principal of, premium, if any, and interest on all outstanding Bonds when due and, to the extent not so used, will be used to pay the last installments of principal due on any Bonds then outstanding and interest thereon.

On each February 1, if the Issuer has on hand Available Tax Increment received by the Issuer in the previous twelve months that is in excess of the amount needed to pay debt service due on the Bonds on that February 1 Payment Date and the immediately previous August 1 Payment Date, after taking into account any amounts then on deposit in the Bond Fund (the “Excess Available Tax Increment”), such Excess Available Tax Increment will be credited to the Reserve Fund in any amount necessary to restore the balance therein to the Reserve Requirement.

Money credited to the Reserve Fund in excess of the Reserve Requirement will be transferred (i) to the Rebate Fund, to the extent such amounts consist of any Rebate Amount and (ii) to the Revenue Fund.

## **TAX INCREMENT CASH FLOW PROJECTIONS**

Estimates of the annual Available Tax Increment to be generated by the TIF District are shown in the Tax Increment Analysis chart attached as Appendix C. For discussion of the risk factors associated with these assumptions, see “INVESTMENT CONSIDERATIONS.”

The chart shows the assumptions regarding the components of tax increment: the estimated Market Value of the Phase I Improvements and the Phase II Improvements, including certain commercial improvements included as party of the Phase II Property; the calculation of net Tax Capacity; the original net Tax Capacity; and the Local Tax Rate. These assumptions do not include an increase in net Tax Capacity of the Phase I Improvements and the Phase II Improvements. For discussion of the risk factors associated with these assumptions, see “INVESTMENT CONSIDERATIONS.”

Upon completion in 2012, the Phase II Improvements, including land, are estimated to have a Market Value of \$18,605,000 and a net Tax Capacity of \$247,612. For purposes of tax increment calculation, the Local Tax Rate applicable to the TIF District is assumed to be 0.992820.

The Tax Increment Analysis shows the projection of Available Tax Increment through 2030 based on the assumptions described at the top of the chart. The column titled “Available Increment Net of Fees - Annual” is the annual amount of Available Tax Increment that is projected to be available to pay the Bonds.

**SOURCES AND USES OF FUNDS\***

The following schedule shows the anticipated sources and use of funds in connection with issuance of the Bonds:

<i><b>Sources</b></i>	
Par amount of Bonds	\$ _____
Total Sources	<u>\$ _____</u>
 <i><b>Uses</b></i>	
Refinance Phase I Note	\$
Refinance Phase II Note	
Capitalized Interest	
Debt Service Reserve Fund	
Costs of Issuance <sup>1</sup>	
Total Uses	<u>\$ _____</u>

<sup>1</sup> Includes underwriting discount, underwriter and bond counsel fees and other transaction costs.

**THE OVERALL DEVELOPMENT AND PHASE I IMPROVEMENTS AND PHASE II IMPROVEMENTS**

The following is a summary of key components of and related to the Overall Development, the Phase I Improvements and the Phase II Improvements. Additional information regarding the Overall Development, the Phase I Improvements and Phase II Improvements is available from the Underwriter.

**General**

The Overall Development, known as “Glen Lake Station Housing and Redevelopment Project,” is an approximately 8.5-acre master planned housing and commercial development located along Excelsior Boulevard in the City. The Overall Development has been designed by the Redeveloper to provide \_\_\_\_\_ . The three-phase project will consist of up to approximately 155,000 net square feet of rental housing, 79,000 net square feet of for-sale housing, and 19,500 square feet of net rental commercial space when fully developed.

The Phase I Improvements, consisting of the construction of 52 rental housing units and approximately 19,500 square feet of commercial facilities, have been completed.

The Phase II Improvements, consisting of the construction of 67 independent living units and 79 assisted living units and memory care units commence in September 2010, and are expected to be completed on or about \_\_\_\_\_, 20\_\_ . [INSERT ACTUAL EXPECTATIONS – NOT CONTRACT REQUIREMENTS]

The Phase III Improvements are anticipated to consist of 44 units of for-sale condominium housing units. Under the Redevelopment Agreement construction of Phase III is required to commence by June 30, 2013 and to be completed by June 30, 2014.

**The Overall Tax Increment Financing Plan**

The TIF Plan establishes the District, consisting of 22 parcels of land and adjacent and internal rights-of-way. The District was created to facilitate redevelopment of the Glen Lake area with housing and mixed-use

\* Preliminary, subject to change.

development. The TIF Plan and the Redevelopment Agreement entitle the Redeveloper to be reimbursed with tax increment for Public Redevelopment Costs incurred in achieving the Overall Development.

**The Redeveloper**

[TO BE PROVIDED].

**The Phase II Subdeveloper**

[TO BE PROVIDED].

**The Phase I Improvements**

The Phase I Improvements have been completed and consist of 52 rental housing units and approximately 19,500 square feet of commercial facilities.

The Phase I Improvements are owned and managed by Oaks Properties LLC (“Oaks”), who own and operate a total of nine similar properties in the State of Minnesota. The rental housing units of the Phase I Improvements consist of 14 unique floor plans (studio, one or two bedroom units) and are classified by Oaks as “Class A” luxury apartments with condominium-quality finishes, including nine foot ceilings, full size washer/dryer, granite countertops and stainless steel appliances. As of October 1, 2010, 98.1% of such rental units are occupied.

The commercial facilities are located on the first floor of the building (with rental housing units above), and as of October 1, 2010, the commercial facilities are 100% occupied by six tenants.

**The Phase II Improvements**

The Phase II Improvements will consist of 67 independent living units and 79 assisted living units and memory care units, including amenities such as common dining facilities, recreation and entertainment areas, outdoor gardens, and surface and under-building parking areas. [INFORMATION RE: OWNER/MANAGER, ETC.]

Pursuant to the Assignment, the Authority has consented to the transfer of the Phase II Property to the Phase II Subdeveloper. Dougherty Mortgage LLC, a Delaware limited liability company (“Lender”), has agreed to make a loan to the Phase II Subdeveloper in the original principal amount of \$23,124,900.00 (the “HUD Loan”) to provide additional financing for the Phase II Improvements, which loan shall be insured by the Federal Housing Administration (the “FHA”) of the United States Department of Housing and Urban Development (“HUD”) under Section 232 of the National Housing Act of 1934, as amended, pursuant to that certain Commitment to Insure Upon Completion dated May 18, 2010 (FHA Project No. 092-11264), as amended. The HUD Loan will be evidenced by that certain Mortgage Note dated September 1, 2010 (the “HUD Note”), in favor of Lender in the original principal amount of the HUD Loan and will be secured in part by (i) that certain Mortgage dated September 1, 2010 (the “HUD Mortgage”) in favor of Lender, and by (ii) that certain Regulatory Agreement for Multifamily Housing Projects dated September 1, 2010 (the “HUD Regulatory Agreement”) executed by and between the Phase II Subdeveloper and the Secretary of Housing and Urban Development.

[ADDITIONAL FINANCING DETAILS.]

**The Shopping Center**

The Phase II Property includes an existing approximately \_\_\_\_ square foot shopping center complex comprised of several commercial facilities, including a Fresh Seasons Market, Caribou Coffee, Dragon Jade Restaurant, Glen Lake Wine and Spirits and a Comcast operations center.

**THE ISSUER**

The Issuer is a public body, corporate and politic, duly organized and existing under Minnesota Statutes, Sections 460.090 to 469.1081, and is authorized to exercise the powers of a housing and redevelopment authority

under Minnesota Statutes, Sections 469.001 to 469.047, as amended. The governing body of the Issuer consists of the members of the City Council of the City. The Issuer has no independent taxing authority without approval of the City Council of the City. Neither the full faith and credit nor the taxing power of the Issuer is pledged to the payment of the principal of, premium, if any, or interest on the Bonds.

### **CONTINUING DISCLOSURE COVENANTS**

In order to permit the Underwriter to comply with the continuing disclosure requirements of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Commission") under the Securities Exchange Act of 1934 (as in effect and interpreted from time to time, the "Rule"), the Issuer will covenant in a Continuing Disclosure Certificate, for the benefit of the Owners (as hereinafter defined) from time to time of any Bonds which are outstanding, to provide annual reports of specified information and notice of the occurrence of certain events as hereinafter described (the "Disclosure Covenants"). The Issuer is the only "obligated person" in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The Issuer has complied in all material respects with any undertaking previously entered into by it under the Rule.

As used herein, "Owner" or "Bondowner" means, in respect of a Bond, the registered holder or holders thereof of any beneficial owner thereof if such beneficial owner provides evidence of such beneficial ownership.

#### **Information To Be Disclosed**

The Issuer will provide, in the manner set forth under "Manner of Disclosure" below, either directly or indirectly through an agent designated by the Issuer, the following information at the following times:

*Annual Information.* On or before [290] days after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2010, the following financial information and operating data (the "Disclosure Information"):

(1) The audited financial statements of the City, which financial statements include financial information of the Issuer, for such fiscal year, which financial statements shall contain balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the Issuer, prepared in accordance with generally accepted account principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental account standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Issuer, noting the discrepancies therefrom and the effect hereof and certified as to the accuracy and completeness in all material respects by the Finance Director of the City; and

(2) To the extent not included in the financial statements referred to in paragraph (1) hereof, information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the City's Finance Director to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources.

The annual report most recently filed by the Issuer with the Office of the State Auditor as required by the TIF Act, and the following general categories of information of the type contained in this Official Statement:

- (A) for the most recent years and the two preceding years the market value, original net tax capacity, captured net tax capacity, gross tax increment, fiscal disparities reduction, state auditor and Issuer administrative fees, net tax increment, and current local tax rates of the taxable property within the TIF District; and
- (B) the outstanding principal amount of the Bonds and the balances in each of the funds and accounts established and maintained under the Resolution.

Any or all of the Disclosure Information may be incorporated, if it is updated as required by the Disclosure Covenants, by reference from other documents, including official statements available to the public on the Municipal Securities Rulemaking Board's (the "MSRB") Internet Web site or filed with the Commission.

If any part of the Disclosure Information can no longer be generated because the operations of the Issuer have materially changed or been discontinued, such Disclosure Information need no longer be provided if the Issuer includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other Issuer operation in respect of which data is not included in the Disclosure Information and the Issuer determines that certain specified data regarding such replacement operations would be material, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Disclosure Covenants are amended as permitted by the Continuing Disclosure Certificate, then the Issuer is to include in the next Disclosure Information to be delivered under the Disclosure Covenants, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

*Certain Material Events.* In a timely manner, notice of the occurrence of any of the following events, if material (the "Material Events"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Unscheduled Bond calls;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the securities; and
- (11) Rating changes.

*Certain Other Information.* In a timely manner, notice of the occurrence of any of the following events or conditions:

(12) the failure of the Issuer to provide the Disclosure Information at the time specified under "Annual Information" above;

(13) the amendment or supplementing of the Disclosure Covenants pursuant to the Continuing Disclosure Certificate, together with a copy of such amendment or supplement and any explanation provided by the Issuer under the Disclosure Covenants;

(14) the termination of the obligations of the Issuer under the Disclosure Covenants pursuant to the Continuing Disclosure Certificate;

(15) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared;

(16) any change in the fiscal year of the Issuer; and

(17) any notification to the Issuer by the Office of the State Auditor identifying an alleged violation of the TIF Act with respect to the TIF District.

### **Manner of Disclosure**

The Issuer shall deliver the information described under “Information to be Disclosed” above to the Municipal Securities Rulemaking Board (“MSRB”) in an electronic format and accompanied by identifying information, all as prescribed by the MSRB from time to time.

### **Term**

The Disclosure Covenants shall remain in effect until all Bonds have been paid or defeased. Notwithstanding the preceding sentence, however, the Disclosure Covenants shall terminate and be without further effect as of any date on which the Issuer receives an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the Issuer to comply with the Disclosure Covenants will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

### **Amendments; Interpretation**

The Disclosure Covenants (and the form and requirements of the Disclosure Information) may be amended or supplemented by the Issuer from time to time, without notice to or the consent of the Owners of any Bonds, by a resolution of the governing body of the Issuer accompanied by an opinion of Bond Counsel, who may rely on certificates of the Issuer and others and the opinion may be subject to customary qualifications, to the effect that: (1) such amendment or supplement (A) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Issuer or the type of operations conducted by the Issuer, or (B) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (2) the Disclosure Covenants as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (1)(A) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (3) such amendment or supplement does not materially impair the interest of the Bondowners under the Rule. If the Disclosure Information is so amended, the Issuer agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

The Disclosure Covenants are to be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

### **Default; Remedies**

If the Issuer fails to comply with any of the Disclosure Covenants, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any such covenant. Direct, indirect, consequential and punitive damages shall not be recoverable, however, for any default thereunder to the extent permitted by law. In no event shall a default under the Disclosure Covenants constitute a default under the bonds or under any other provisions of the Bond Resolutions

## TAX EXEMPTION OF BONDS

In the opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel, under laws, regulations, rulings and judicial decisions existing as of the date hereof, and assuming continuing compliance with the Resolution, and assuming continuing compliance with applicable restrictions imposed by the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder, interest on the Bonds is not includable in gross income for federal income tax purposes and, to the same extent, is not includable in the net taxable income of individuals, estates, or trusts for State of Minnesota income tax purposes. Interest on the Bonds is subject to State of Minnesota franchise taxes measured by income and imposed on corporations, including financial institutions.

The opinions expressed in the preceding paragraph are subject to the condition of compliance by the Issuer with all requirements of the Code and certain provisions in the Resolution that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds may be, and continue to be, excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to become includable in gross income for federal and State of Minnesota income tax purposes, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding other tax consequences to owners of the Bonds under applicable federal or State of Minnesota laws.

### Related Considerations

**Alternative Minimum Tax.** Interest on the Bonds is not subject to the federal alternative minimum tax applicable to individuals and corporations and the Minnesota alternative minimum tax, and is not includable in the adjusted current earnings of certain corporations for the purposes of the federal and Minnesota alternative minimum taxes imposed on corporations.

**Branch Profits Tax.** A tax is imposed on any foreign corporation in an amount equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits" for the taxable year reduced for the increase (or increased for the decrease) in "U.S. net equity." According to the Conference Committee Report provided in connection with the adoption of the Tax Reform Act of 1986, "the conferees intend that a branch's earnings and profits include income that would be effectively connected with a United States trade or business if such income were taxable, such as tax-exempt municipal bond interest."

**Passive Investment Income of S Corporation.** Treasury regulations state that "passive investment income" also includes tax-exempt interest. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporations is passive investment income and may subject the S corporation to termination of its S corporation status under Section 1362(d) of the Code.

**Financial Institutions.** The Code limits the ability of financial institutions to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986. The Bonds will be designated as "qualified tax-exempt obligations."

**Property and Casualty Insurance Companies.** Under the Code, property and casualty insurance companies are required, for taxable years beginning after December 31, 1986, to reduce the amount of their loss reserve deduction by fifteen percent (15%) of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

### Other Tax Matters

No assurance can be given that any future legislation or clarification or amendments to the Code, if enacted into law, will not contain a proposal which could cause the interest on the Bonds to be subject directly or indirectly to federal or State of Minnesota income taxation, adversely affect the market price or marketability of the Bonds or otherwise prevent the owners from realizing the full current benefit of the status of the interest thereon. INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

## **UNDERWRITING**

The Bonds are being purchased from the Issuer by Dougherty & Company LLC, Minneapolis, Minnesota (the “Underwriter”). The Underwriter has agreed to purchase the Bonds for a purchase price of \$ \_\_\_\_\_ (par amount of the Bonds less the Underwriter’s discount of \$ \_\_\_\_\_), no interest having accrued on the Bonds, subject to the terms of a certain Bond Purchase Agreement (the “Bond Purchase Agreement”), between the Issuer and the Underwriter. The Bond Purchase Agreement provides that the Underwriter shall purchase all Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices set forth on the front cover page hereof may be changed from time to time by the Underwriter. The Issuer has agreed under the Bond Purchase Agreement to indemnify the Underwriter against certain liabilities, including certain liabilities under the federal and state securities laws.

## **LEGAL MATTERS**

The authorization and validity of the Bonds will be subject to the approving opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel. The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest on the Bonds as described in the Section “TAX EXEMPTION OF BONDS.” Bond Counsel has not been engaged to investigate the financial resources of the Issuer or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the Bonds.

Certain legal matters will be passed upon for the Underwriter by its legal counsel, Dorsey & Whitney LLP, Minneapolis, Minnesota.

**APPENDIX A**  
**FORM OF BOND COUNSEL OPINION**



**APPENDIX B**

**CERTAIN DEFINITIONS AND SUMMARY OF BOND RESOLUTION**

**APPENDIX C**  
**TAX INCREMENT ANALYSIS**

## RESOLUTION NO. 2010-xx

### RESOLUTION AWARDING THE SALE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF ITS TAXABLE TAX INCREMENT REVENUE NOTE, SERIES 2010B

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BE IT RESOLVED BY the Board of Commissioners (“Board”) of the Economic Development Authority in and for the City of Minnetonka, Minnesota (the “Authority”) as follows:

#### Section 1. Authorization; Award of Sale.

1.01. Authorization. The Authority and the City of Minnetonka have heretofore approved the establishment of the Glenhaven Tax Increment Financing District (the “TIF District”) within the Glen Lake Station Housing Development and Redevelopment Project (the “Project”), and have adopted a tax increment financing plan for the purpose of financing certain improvements within the Project. In connection with the TIF District, the Authority and City entered into a Second Amended and Restated Contract for Private Redevelopment dated as of January 4, 2010 (the “Agreement”) between the Authority, the City, and Glen Lake Redevelopment LLC (the “Redeveloper”). Certain obligations of the Redeveloper under the Agreement related to Phase II (as defined in the Agreement) have been assigned to and assumed by Glen Lake Senior Housing, LLC (the “Phase II Subdeveloper”) under an Assignment and Assumption between Redeveloper and Phase II Subdeveloper dated September 1, 2010 (the “Assignment”). Capitalized terms in this Resolution have the meaning provided in the Agreement, unless otherwise defined herein.

Pursuant to Minnesota Statutes, Section 469.178, the Authority is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Project. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. Pursuant to the Agreement, the Authority previously issued to Redeveloper a \$2,478,237.28 Taxable Tax Increment Revenue Note, Series 2009 (the “Exchange/Kinsel Initial Note”), as reimbursement for Redeveloper’s payment of various Public Redevelopment Costs. A portion of the original principal amount of the Exchange/Kinsel Initial Note will be refinanced through issuance of the Authority’s Tax Increment Revenue Bonds, Series 2010 (Glen Lake Project, Phases I & II) (the “Series 2010 Bonds”). The Authority hereby finds and determines that it is in the best interests of the Authority to issue its Taxable Tax Increment Revenue Note, Series 2010B (the “Note”) in a principal amount equal to the balance of the Exchange/Kinsel Initial Note remaining after partial redemption from proceeds of the Series 2010 Bonds, plus accrued interest on the Exchange/Kinsel Initial Note to the date hereof. The Note is a replacement Initial Note issued in accordance with Section 3.8(g) of Agreement, and replaces the remaining balance of the Exchange/Kinsel Initial Note in all respects.

1.02. Issuance, Sale, and Terms of the Note. The Note shall be issued to the Redeveloper (also referred to herein as the "Owner"). The Note shall be issued and delivered on the date of issue of the Series 2010 Bonds, shall be dated as of the date of delivery, shall mature no later than February 1, 2030 and shall bear interest at the rate of 6.75 percent per annum from the date of the Note to the earlier of maturity or prepayment.

Section 2. Form of Note. The Note shall be in substantially the following form, with the blanks to be properly filled in and the principal amount adjusted as of the date of issue:

UNITED STATE OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF HENNEPIN  
ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA

No. R-1 \$ \_\_\_\_\_

TAXABLE TAX INCREMENT REVENUE NOTE  
SERIES 2010B

<u>Rate</u>	<u>Date of Original Issue</u>
6.75%	_____, 20__

The Economic Development Authority in and for the City of Minnetonka ("Authority") for value received, certifies that it is indebted and hereby promises to pay to Glen Lake Redevelopment LLC or registered assigns (the "Owner"), solely from the sources and in the manner hereinafter provided, the principal sum of \$ \_\_\_\_\_ (the "Principal Amount"), as provided in the Agreement defined hereafter, together with interest on the unpaid balance thereof accrued from the date of original issue hereof at the rate of 6.75 percent per annum (the "Stated Rate"). This Note is given in accordance with that certain Second Amended and Restated Private Redevelopment between the Issuer, the City of Minnetonka and Glen Lake Redevelopment LLC, dated as of January 4, 2010 (the "Agreement") and the authorizing resolution (the "Resolution") duly adopted by the Authority on October 4, 2010. Capitalized terms used and not otherwise defined herein have the meaning provided for such terms in the Agreement unless the context clearly requires otherwise.

1. Payments. Principal and interest ("Payments") shall be paid on each February 1 and August 1, commencing February 1, 2011 and continuing through February 1, 2030 ("Payment Dates"), but solely from the sources set forth in Section 3 herein. Payments shall be applied first to accrued interest, and then to unpaid principal.

Payments are payable by mail to the address of the Owner or such other address as the Owner may designate upon 30 days written notice to the Authority. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. Interest shall be computed on the basis of a year of 360 days and twelve 30-day months.

3. Available Tax Increment. (a) All payments on this Note are payable on each Payment Date solely from and in the amount of the “Available Tax Increment,” which means, on each Payment Date; (1) 95 percent of the Tax Increment attributable to the Phase III Property that is paid to the Authority by Hennepin County in the six months preceding the Payment Date, except as otherwise provided in paragraph (b) of this Section; and (2) 95 percent of the Tax Increment attributable to the Phase I Property and Phase II Property that is paid to the Authority by Hennepin County in the six months preceding the Payment Date and remains after application of such Tax Increment to the following senior obligations in the following order of priority: first, payment of principal and interest due on such Payment Date with respect to the Authority’s \$\_\_\_\_\_ Tax Increment Revenue Bonds, Series 2010 (Glen Lake Project, Phases I & II), and second, payment in full of the principal and interest on the interfund loan for 2008 Public Improvements in accordance with Sections 4.11(b) and 4.12 of the Agreement. The Authority shall have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Tax Increment.

(b) For the purpose of this Section, the terms “Bonds,” “Phase III Negative Tax Increment,” and “Phase III TIF Deficiency” have the meaning provided in the Issuer’s Resolution No. \_\_\_\_\_ awarding sale of the Authority’s Tax Increment Revenue Bonds, Series 2010 (Glen Lake Project, Phases I & III) (the “Series 2010 Bond Resolution”). If Phase III Negative Tax Increment occurs on any Payment Date, then on any Payment Date subsequent to such Phase III Negative Tax Increment, 95 percent of the Tax Increment attributable to the Phase III Property that is paid to the Authority in the six months preceding the Payment Date shall be applied to the following obligations in the following order of priority: first, to cure the aggregate Phase III TIF Deficiency (if any) with respect to the Bonds, in accordance with the Series 2010 Bond Resolution; second to pay principal and interest on the Authority’s interfund loan for 2008 Public Improvements in accordance with the Agreement, to the extent required to cure the aggregate Phase III Negative Increment remaining after payment in full of any Phase III TIF Deficiency; and third, to pay principal and interest then due with respect to this Note under paragraph (a) of this Section.

4. Default. Upon an Event of Default by the Redeveloper under the Agreement, or by the Phase II Subdeveloper with respect to the obligations in the Agreement assumed by the Phase II Subdeveloper under the Assignment, the Authority may exercise the remedies with respect to this Note described in Article IX of the Agreement, the terms of which are incorporated herein by reference.

5. Prepayment. (a) The principal sum and all accrued interest payable under this Note is prepayable in whole or in part at any time by and at the option of the Authority without premium or penalty. Ten days' prior notice of any such prepayment shall be given by first-call mail by the Registrar to the registered owner of the Note. No partial prepayment shall affect the amount or timing of any other regular Payment otherwise required to be made under this Note.

(b) The Note may be deemed prepaid in whole or in part in accordance with Section 3.7 and 3.8(f)(2)(ii) of the Agreement. Upon any such prepayment, the Authority will deliver to the Owner a statement of the amount applied to prepayment under Section 3.7 and the outstanding principal balance of the Note after application of the deemed prepayment. Any deemed prepayment under this paragraph will be applied under the same procedures described in paragraph (a) above.

6. Nature of Obligation. This Note is one of an issue in the total principal amount of \$\_\_\_\_\_ issued to aid in refinancing certain public redevelopment costs and administrative costs of a Redevelopment Project undertaken by the Authority pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended and is issued pursuant to the Resolution, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.1799, as amended. This Note is a limited obligation of the Authority which is payable solely from the revenues pledged to the payment hereof under the Resolution. This Note and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except from and to the extent of the revenues pledged hereto, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Available Tax Increment prepared by the Authority or its financial advisors in connection with the TIF District or the Agreement are for the benefit of the Authority, and are not intended as representations on which the Redeveloper may rely. Actual Available Tax Increment collected from the TIF District may be less than originally estimated.

8. Registration and Transfer. This Note is issuable only as a fully registered note without coupons. As provided in the Resolution, and subject to certain limitations set forth therein, this Note is transferable upon the books of the Authority kept for that purpose at the principal office of the City Finance Director, by the Owner hereof in person or by such Owner's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to the Authority, duly executed by the Owner. Upon such transfer or exchange and the payment by the Owner of any tax, fee, or governmental charge required to be paid by the Authority with

respect to such transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same dates.

This Note shall not be transferred to any person unless the Authority has been provided with an opinion of counsel or a certificate of the transferor, in a form satisfactory to the Authority, that such transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws.

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 exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the Authority according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka have caused this Note to be executed with the manual signatures of its President and Executive Director, all as of the Date of Original Issue specified above.

ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA

\_\_\_\_\_  
Executive Director

\_\_\_\_\_  
President

#### REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Note is registered in the bond register of the City Finance Director, in the name of the person last listed below.

Date of of Registration	Registered Owner _____ Glen Lake Redevelopment LLC Federal Tax I.D. No. _____	Signature City Finance Director
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#### Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note shall be issued as a single typewritten note numbered R-1.

The Note shall be issuable only in fully registered form. Principal of and interest on the Note shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Principal of and interest on the Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

3.03. Registration. The Authority hereby appoints the City Finance Director to perform the functions of registrar, transfer agent and paying agent (the “Registrar”). The effect of registration and the rights and duties of the Authority and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.

(b) Transfer of Note. Upon surrender for transfer of the Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Note of a like aggregate principal amount and maturity, as requested by the transferor. Notwithstanding the foregoing, the Note shall not be transferred to any person unless the Authority has been provided with an opinion of counsel or a certificate of the transferor, in a form satisfactory to the Authority, that such transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

(c) Cancellation. The Note surrendered upon any transfer shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the Authority.

(d) Improper or Unauthorized Transfer. When the Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Note or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(e) Persons Deemed Owners. The Authority and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of the Note, whether the Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner’s order shall be valid and effectual to satisfy and discharge the liability of the Authority upon such Note to the extent of the sum or sums so paid.

(f) Taxes, Fees and Charges. For every transfer or exchange of the Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(g) Mutilated, Lost, Stolen or Destroyed Note. In case any Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of such mutilated Note or in lieu of and in substitution for such Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the Authority and the Registrar shall be named as obliges. The Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the Authority. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note shall be prepared under the direction of the Executive Director and shall be executed on behalf of the Authority by the signatures of its President and Executive Director. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the Note has been so executed, it shall be delivered by the Executive Director to the Owner thereof in accordance with the Agreement.

#### Section 4. Security Provisions.

4.01. Pledge. The Authority hereby pledges to the payment of the principal of and interest on the Note Available Tax Increment under the terms and as defined in the Note. Available Tax Increment shall be applied to payment of the principal of and interest on the Note in accordance with the terms of the form of Note set forth in Section 2 of this resolution.

4.02. Bond Fund. Until the date the Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the Authority shall maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of and interest on the Note. The Authority irrevocably agrees to appropriate to the Bond Fund as of each Payment Date the Available Tax Increment then on hand. Any Available Tax Increment remaining in the Bond Fund shall be transferred to the Authority's account for the TIF District upon termination of the Note in accordance with its terms.

4.03. Additional Bonds. If the Authority issues any bonds or notes secured by Available Tax Increment, such additional bonds or notes are subordinate to the Note in all respects.

Section 5. Certification of Proceedings.

5.01. Certification of Proceedings. The officers of the Authority are hereby authorized and directed to prepare and furnish to the Owner of the Note certified copies of all proceedings and records of the Authority, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note 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 Authority as to the facts recited therein.

Section 6. Effective Date. This resolution shall be effective upon approval.

Adopted this 4<sup>th</sup> day of October, 2010.

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Terry Schneider, President

ATTEST:

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Secretary

ACTION ON THIS RESOLUTION:

Motion for adoption:

Seconded by:

Voted in favor of:

Voted against:

Abstained:

Absent:

Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the board of commissioners of the Economic Development Authority in and for the City of Minnetonka, Minnesota, at a duly authorized meeting held October 4 2010.

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Secretary