

RESOLUTION 2016R-___

AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF CHARTER SCHOOL LEASE REVENUE BONDS (HIAWATHA ACADEMIES PROJECT), SERIES 2016, IN ONE OR MORE SERIES; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE BONDS AND RELATED DOCUMENTS; PROVIDING FOR THE SECURITY, RIGHTS, AND REMEDIES WITH RESPECT TO THE BONDS; AND GRANTING APPROVAL FOR CERTAIN OTHER ACTIONS WITH RESPECT THERETO

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. **STATUTORY AUTHORIZATION.** The City of Minneapolis, a home rule city, municipal corporation, and political subdivision of the State of Minnesota (the “City”), is duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota. The City is authorized by the provisions of the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 through 469.1655, as amended (the “Act”), to issue revenue bonds to finance, in whole or in part, the costs of the acquisition, construction, reconstruction, improvement, betterment, or extension of a project comprised of any properties, real or personal, used or useful in connection with a revenue producing enterprise, whether or not operated for profit, or any combination of two or more such enterprises engaged in any business. In connection with the issuance of such revenue bonds, the City is further authorized to enter into a revenue agreement with a contracting party under which the contracting party agrees to make payments as necessary to provide for the prompt payment of the principal of and interest on such revenue bonds. The contracting party is authorized to mortgage or otherwise encumber or grant a security interest in any project and its revenues to secure the timely payment of the revenue bonds issued by the City under the Act.

2. **THE BORROWER AND THE PROJECT.** Hiawatha ABC, a Minnesota nonprofit corporation (the “Borrower”), and Hiawatha Academies, a Minnesota nonprofit corporation and an operating public charter school (the “School”), have requested that the City issue revenue bonds under the provisions of the Act to finance: (i) the acquisition of the following school buildings in which the School operates public charter schools: (A) an existing school building located at 3810 East 56th Street in the City containing approximately 36,400 square feet of space and currently designated as Hiawatha Leadership Academy — Morris Park with a current enrollment of approximately 400 students; (B) an existing school building located at 1611 East 46th Street in the City containing approximately 43,700 square feet of space and currently designated as Hiawatha Leadership Academy — Northrop with a current enrollment of approximately 225 students; and (C) an existing school building located at 4640 17th Avenue South in the City containing approximately 41,200 square feet of space and currently designated as Hiawatha Collegiate High School (but proposed to be converted to a middle school after its acquisition by the Borrower by the 2018-2019 school year) with a current enrollment of approximately 100 students (collectively, the “Project”); (ii) the funding of a debt service reserve fund; and (iii) the payment of a portion of the costs of issuing the Bonds. The Project will be owned by the Borrower and leased to the School. The School will operate public charter schools in the buildings of the Project for grades K-8. The Project comprises a “project” for purposes of the Act.

3. **THE SERIES 2016 BONDS AND THE INDENTURE.** To finance the acquisition of the Project and related costs, the City proposes to issue the following obligations: (i) Charter School Lease Revenue Bonds (Hiawatha Academies Project), Series 2016A (the “Series 2016A Bonds”); and (ii) Taxable Charter School Lease Revenue Bonds (Hiawatha Academies Project), Series 2016B (the

“Series 2016B Bonds”). The Series 2016A Bonds and the Series 2016B Bonds are hereinafter referred to collectively as the “Series 2016 Bonds. The Series 2016 Bonds may be issued in more than two series as determined by the Finance Officer of the City and the designation of the Series 2016 Bonds may be altered in any manner determined by the Finance Officer in the discretion of the Finance Officer. The Series 2016 Bonds shall be issued in a principal amount not to exceed \$25,000,000 under the terms of an Indenture of Trust, dated on or after May 1, 2016 (the “Indenture”), between the City and a financial institution to be selected by the Borrower and the School to act as trustee (the “Trustee”). The Series 2016 Bonds shall bear interest at fixed rates established by the terms of the Indenture. The Series 2016 Bonds shall be designated, shall be numbered, shall be dated, shall mature, shall be subject to redemption prior to maturity, shall be in such form, and shall have such other terms, details, and provisions as are prescribed in the Indenture, in substantially the form on file with the City, with the amendments referenced herein. The City hereby authorizes a series of the Series 2016 Bonds to be issued as “tax-exempt bonds” the interest on which is excludable from gross income for federal and State of Minnesota income tax purposes. Any separate series of Series 2016 Bonds may be issued as “taxable bonds” if deemed necessary and appropriate by the Finance Officer and bond counsel.

The Finance Officer is hereby authorized to execute the Series 2016 Bonds on behalf of the City and to deliver the Series 2016 Bonds to the initial purchaser. All of the provisions of the Series 2016 Bonds, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Series 2016 Bonds are hereby approved, with such necessary and appropriate variations, omissions, and insertions (including changes to the aggregate principal amount of each series of Series 2016 Bonds, the stated maturities of each series of Series 2016 Bonds, the principal amount of Series 2016 Bonds maturing on each maturity date, the interest rates on the Series 2016 Bonds, and the terms of redemption of the Series 2016 Bonds) as the Finance Officer shall determine in the discretion of the Finance Officer. The execution of the Series 2016 Bonds with the manual or facsimile signature of the Finance Officer and the delivery of the Series 2016 Bonds by the City shall be conclusive evidence of such determination.

The Finance Officer is hereby authorized to execute and deliver the Indenture on behalf of the City. The Indenture shall provide the terms and conditions, covenants, rights, obligations, duties, and agreements of the owners of the Series 2016 Bonds, the City, and the Trustee as set forth therein. All of the provisions of the Indenture, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Indenture shall be substantially in the form on file with the City, which is hereby approved, with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, as the Finance Officer shall determine, in the discretion of the Finance Officer, and the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

4. **THE LOAN AGREEMENT.** The proceeds derived from the sale of the Series 2016 Bonds are hereby authorized to be loaned to the Borrower under the terms and conditions of a Loan Agreement, dated on or after May 1, 2016 (the “Loan Agreement”), between the City and the Borrower. The loan repayments to be made by the Borrower under the Loan Agreement are fixed to produce revenues sufficient to provide for the prompt payment of principal of, premium, if any, and interest on the Series 2016 Bonds issued under this resolution when due, and the Loan Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Project, including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all lawfully imposed taxes and special assessments levied upon or with respect to the Project and payable during the term of the Loan Agreement.

The Finance Officer is hereby authorized to execute and deliver the Loan Agreement on behalf of the City. All of the provisions of the Loan Agreement, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Loan Agreement shall be substantially in the form on file with the City, which is hereby approved, with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, as the Finance Officer shall determine, in the discretion of the Finance Officer, and the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

5. SECURITY FOR THE SERIES 2016 BONDS. The Series 2016 Bonds shall be special, limited obligations of the City payable solely from the following revenues of the Borrower and other security provided by the Borrower and the School: (i) the revenues derived from the Loan Agreement; (ii) a pledge and assignment of all School revenues, including money due to the School from the State of Minnesota Lease Aid Payment Program (the "Program"); (iii) an agreement to pay all money due to the School from the Program to a dedicated account subject to a monthly sweep to the trustee funds and accounts for the benefit of the holders of the Series 2016 Bonds; (iv) other revenues pledged to or otherwise received by the Borrower, except for those revenues necessary for ordinary operational expenses and required under Minnesota law; (v) a debt service reserve fund to be held by a trustee for the benefit of the holders of the revenue bonds; (vi) a first mortgage and security agreement granted by the Borrower with respect to the Project; (vii) an operating reserve fund; and (viii) other security provided or arranged by the Borrower or the School.

The revenues and security pledged to the Series 2016 Bonds are pledged, assigned, and granted under the following documents: (i) a Mortgage, Security Agreement and Assignment of Rents, to be dated on or after May 1, 2016 (the "Mortgage"), from the Borrower, as mortgagor, to the Trustee, as mortgagee; (ii) an Assignment of Lease, dated on or after May 1, 2016 (the "Assignment"), from the Borrower, as assignor, to the Trustee, as assignee; and (iii) the Pledge and Covenant Agreement, dated on or after May 1, 2016 (the "Pledge Agreement"), from the School to the Trustee. The proceeds of the Series 2016 Bonds will be disbursed under the terms and conditions of a Disbursing Agreement, dated on or after May 1, 2016 (the "Disbursing Agreement"), among the Borrower, the Trustee, and a title insurance company selected by the Company and the School, as disbursing agent, and will be subject to the provisions of a Tax Regulatory Agreement, dated on or after May 1, 2016 (the "Tax Regulatory Agreement"), among the Borrower, the School, and the Trustee.

6. LIMITED OBLIGATIONS. As provided in the Loan Agreement, the Series 2016 Bonds shall not be payable from nor charged upon any funds other than the revenues pledged to their payment, nor shall the City be subject to any liability thereon, except as otherwise provided in this paragraph. No holder of the Series 2016 Bonds shall ever have the right to compel any exercise by the City of any taxing powers to pay the Series 2016 Bonds or the interest or premium thereon, or to enforce payment thereof against any property of the City except the interests of the City in the Loan Agreement and the revenues and assets thereunder, which will be assigned to the Trustee under the terms of the Indenture. The Series 2016 Bonds shall recite that the Series 2016 Bonds are issued pursuant to the Act, and that the Series 2016 Bonds, including interest and premium, if any, thereon, are payable solely from the revenues and assets pledged to the payment thereof, and the Series 2016 Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitations.

7. FINANCING DOCUMENTS. The Finance Officer is hereby authorized and directed to execute and deliver a Bond Purchase Agreement, dated on or after May 1, 2016, among the City, Piper Jaffray & Co. (the "Underwriter"), the Borrower, and the School (the "Bond Purchase Agreement"), and such additional agreements as bond counsel to the City considers appropriate in connection with the issuance of the Series 2016 Bonds (collectively, the "Financing Documents"). All of the provisions of the

Financing Documents, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Financing Documents shall be substantially in the forms on file with the City which are hereby approved, with such omissions and insertions as do not materially change the substance thereof, as the Finance Officer, in the discretion of the Finance Officer, shall determine, and the execution of the Financing Documents by the Finance Officer shall be conclusive evidence of such determination.

8. CERTIFICATES AND OTHER DOCUMENTS OF THE CITY. The Finance Officer and other officers, employees, and agents of the City are hereby authorized to execute and deliver, on behalf of the City, such other documents as are necessary or appropriate in connection with the issuance, sale, and delivery of the Series 2016 Bonds, including: (i) an application to the Minnesota Department of Employment and Economic Development for approval of the Project; (ii) a general certificate of the City and a receipt and authorization certificate of the City to the Trustee; (iii) a Uniform Commercial Code financing statement of the City; (iv) an Information Return for Tax-Exempt Private Activity Bond Issues—Internal Revenue Service Form 8038; (v) an endorsement of the City to the tax certificate of the Borrower and the School as to arbitrage and rebate and other tax matters; and (vi) similar documents.

9. TRUSTEE AUTHORIZATION TO EXECUTE AND DELIVER DOCUMENTS. The City hereby approves the execution and delivery by the Trustee of the Indenture and all other instruments, certificates, and documents prepared in conjunction with the issuance of the Series 2016 Bonds that require execution by the Trustee. The Trustee is hereby appointed as bond registrar and paying agent with respect to the Series 2016 Bonds. The City hereby authorizes Kennedy & Graven, Chartered, as bond counsel of the City, to prepare, execute, and deliver its approving legal opinion with respect to the Series 2016 Bonds.

10. PUBLIC HEARING REQUIREMENTS. The City may not undertake the Project under the Act unless the City Council finds that the Project furthers the purposes of the Act nor until the Commissioner of the Minnesota Department of Employment and Economic Development (“DEED”) has approved the Project as tending to further the purposes and policies of the Act. Prior to submitting an application to DEED requesting approval of the Project, the City Council or a committee of the City Council must conduct a public hearing on the proposal to undertake and finance the Project. Notice of the time and place of the public hearing, and stating the general nature of the Project and an estimate of the principal amount of bonds or other obligations to be issued to finance the Project, must be published at least once not less than fourteen (14) days nor more than thirty (30) days prior to the date fixed for the hearing, in the official newspaper and a newspaper of general circulation in the City. The notice must state that a draft copy of the proposed application to DEED, together with all attachments and exhibits, shall be available for public inspection following the publication of the notice and shall specify the place and times where and when it will be so available.

Under the terms of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), the Series 2016 Bonds may not be issued as tax-exempt bonds unless the City Council of the City approves the Series 2016 Bonds after a public hearing following publication of a notice published in accordance with the requirements of Section 147(f) of the Code and Treasury Regulations, Section 5f.103-2.

A notice of a public hearing (the “Public Notice”) was published in *Finance & Commerce*, the official newspaper of the City, on Saturday, April 9, 2016. The Public Notice was also published in the *Star Tribune*, a newspaper of general circulation in the City, on Saturday, April 9, 2016. The Public Notice included a general description of the Project, the maximum aggregate face amount of the Series 2016 Bonds to be issued with respect to the Project, the identity of the initial owner, operator, or

manager of the Project, the location of the Project by street address, and a statement that a draft copy of the proposed application to DEED, together with all attachments and exhibits, would be available for inspection at the offices of the City following the publication of the Public Notice. On Tuesday, May 3, 2016, a public hearing on the issuance of the Series 2016 Bonds and the financing of the Project was conducted before the Community Development and Regulatory Services Committee of the City Council. At the public hearing, a reasonable opportunity was provided for interested individuals to express their views on the proposed issuance of the Series 2016 Bonds and the financing of the Project. The actions of the staff of the City in establishing the date for the public hearing, preparing the Public Notice, and publishing the Public Notice in the official newspaper and in a newspaper of general circulation in the City are hereby ratified and confirmed.

11. **OFFICIAL STATEMENT AND CONTINUING DISCLOSURE AGREEMENT.** The City will not participate in the preparation of a Preliminary Official Statement or an Official Statement relating to the offer and sale of the Series 2016 Bonds (collectively, the “Official Statement”), and will make no independent investigation with respect to the information contained therein (other than with respect to information provided under the captions “THE ISSUER” and “ABSENCE OF LITIGATION – The Issuer,” as it relates to the City), including the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy, or completeness of such information. Subject to the foregoing, the City hereby consents to the distribution and the use by the Underwriter of the Official Statement in connection with the offer and sale of the Series 2016 Bonds. The Official Statement is the sole material consented to by the City for use in connection with the offer and sale of the Series 2016 Bonds. The City hereby approves the Continuing Disclosure Agreement, dated on or after May 1, 2016 (the “Continuing Disclosure Agreement”), between the Borrower, the School, and the Trustee, in substantially the form on file with the City, and hereby authorizes the Trustee to execute and deliver the Continuing Disclosure Agreement.

12. **LIMITATIONS OF LIABILITY.** Except as otherwise provided in this resolution, all rights, powers, and privileges conferred and duties and liabilities imposed upon the City or the City Council by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City Council, or such officers, board, body, or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties. No covenant, stipulation, obligation, or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council of the City, or any officer, agent, or employee of the City in that person’s individual capacity, and neither the City Council of the City nor any officer or employee executing the Series 2016 Bonds shall be liable personally on the Series 2016 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant, or agreement contained in the aforementioned documents, the Series 2016 Bonds or in any other document relating to the Series 2016 Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants, and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement which are to be applied to the payment of the Series 2016 Bonds, as provided therein and in the Indenture.

13. **BENEFICIARY OF THE TERMS OF THIS RESOLUTION AND THE DOCUMENTS.** Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Series 2016 Bonds issued under the provisions of this resolution, any right, remedy, or claim, legal or equitable, under and by reason of this resolution or any

provisions hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Series 2016 Bonds issued under the provisions of this resolution.

14. SEVERABILITY. In case any one or more of the provisions of this resolution, other than the provisions limiting the liability of the City, or of the aforementioned documents, or of the Series 2016 Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Series 2016 Bonds, but this resolution, the aforementioned documents, and the Series 2016 Bonds shall be construed and endorsed as if such illegal or invalid provisions had not been contained therein.

15. VALIDITY OF THE SERIES 2016 BONDS. The Series 2016 Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Series 2016 Bonds and the regularity of the issuance thereof, and that all acts, conditions, and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Series 2016 Bonds, and to the execution of the aforementioned documents to happen, exist, and be performed precedent to the execution of the aforementioned documents have happened, exist, and have been performed as so required by law.

16. ADDITIONAL ACTIONS. The Finance Officer and other officers of the City, bond counsel, other attorneys, engineers, and other agents or employees of the City are hereby authorized to do all acts and things required of them by or in connection with this resolution, the aforementioned documents, and the Series 2016 Bonds for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Series 2016 Bonds, the aforementioned documents, and this resolution. In the event that for any reason the Finance Officer is unable to carry out the execution of any of the documents or other acts provided herein, such documents may be executed and such actions may be taken by any official or employee of the City delegated the duties of the Finance Officer with the same force and effect as if such documents were executed and delivered by the Finance Officer.

17. CITY FEES AND INDEMNIFICATION. The Borrower has agreed and it is hereby determined that any and all costs incurred by the City in connection with the financing of the Project will be paid by the Borrower. It is understood and agreed that the Borrower shall indemnify, defend, and hold harmless the City against all liabilities, losses, damages, costs, and expenses (including attorneys' fees and expenses incurred by the City) arising with respect to the Project or the Series 2016 Bonds, as provided for and agreed to by and between the Borrower and the City in the Loan Agreement.

18. SUBSEQUENT AMENDMENTS. On any date subsequent to the date of issuance of the Series 2016 Bonds, the Finance Officer is hereby authorized to execute and deliver any amendments or supplements to any of the documents referred to in this resolution or other documents executed and delivered in connection with the issuance of the Series 2016 Bonds if, after review by bond counsel and the City Attorney, the Finance Officer determines that the execution and delivery of such amendment or supplement is not materially inconsistent with this resolution. The Finance Officer may impose any terms or conditions on the execution and delivery of any such amendment or supplement as the Finance Officer deems appropriate. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the agreements being amended and the terms of this resolution. The execution of any instrument by the Finance Officer shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof.

19. DESIGNATION AS PROGRAM BONDS. The Series 2016 Bonds are hereby designated "Program Bonds" and are determined to be within the "Economic Development Program" and

the “Program,” all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 1997R-402 of the City adopted December 12, 1997.

20. EFFECTIVE DATE. This resolution shall take effect and be in force from and after its approval and publication. In accordance with the provisions of Article IV, Section 4.4(d), of the Charter of the City, only the title of this resolution and a summary of this resolution conforming to Minnesota Statutes, Section 331A.01, subdivision 10, shall be published in the official paper of the City.