

**RESOLUTION 08-02 APPROVING AND AUTHORIZING THE
ISSUANCE AND SALE OF A NOT TO EXCEED \$12,000,000 MULTIFAMILY
HOUSING REVENUE NOTE (COVENTRY APARTMENTS PROJECT)**

WHEREAS, the City Council of the City of Falcon Heights, Minnesota (the "City"), has given preliminary approval on September 12, 2007, to the issuance of up to \$12,000,000 multifamily housing revenue obligations to finance a project (the "Project" as defined in paragraph 1 below) for Coventry Apartments Limited Partnership, a Minnesota limited partnership (the "Borrower"); and

WHEREAS, bonding authority for the issuance of up to \$12,500,000 of qualified residential rental bonds has been obtained under Minnesota Statutes, Chapter 474A; and

WHEREAS, sufficient details of the revenue notes and other aspects of the financing have been agreed to that this final note resolution should be adopted on this date and the acceptance of a proposal for the revenue notes and the setting of the interest rate thereon and the purchase price thereof:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Falcon Heights, Minnesota, as follows:

SECTION 1. LEGAL AUTHORIZATION AND FINDINGS.

1.1 Findings. The City hereby finds, determines and declares as follows:

(a) The City is a municipal corporation and political subdivision of the State of Minnesota and is authorized under Minnesota Statutes, Chapters 462C, as amended (the "Act"), to assist the multifamily housing development herein referred to, and to issue and sell the Note, as hereinafter defined, for the purpose, in the manner and upon the terms and conditions set forth in the Act and in this Resolution.

(b) The City has received a proposal that it issue its Multifamily Housing Revenue Note (Coventry Apartments Project), Series 2008A, in an amount not to exceed \$12,000,000 (the "Note") to provide funds to be loaned to Coventry Apartments Limited Partnership (the "Borrower") to finance the acquisition, renovation and equipping of a 196-unit multifamily rental housing facility located at 2820 Snelling Avenue North in the City of Roseville, Minnesota ("Roseville") and known as Coventry Apartments, which facility is to be owned and operated by the Borrower (the "Project").

(c) As required by the Act and Section 147(f) of the federal Internal Revenue Code of 1986, as amended (the "Code"), the City has on February 13, 2008, held a public hearing on the housing program relating to the issuance of one or more revenue notes to finance the Project.

(d) The issuance and sale of the Note, by the City, pursuant to the Act, is in the best interest of the City, and the City hereby determines to issue the Note and to sell the Note to U.S. Bank National Association (the "Lender"), as provided herein. The City

will loan the proceeds of the Note (the "Loan") to the Borrower in order to finance the Project. A draft of the Note has been submitted to the City.

(e) Pursuant to a Loan Agreement (the "Loan Agreement") to be entered into between the City and Borrower, the Borrower has agreed to repay the Note in specified amounts and at specified times sufficient to pay in full when due the principal of, premium, if any, and interest on the Note. In addition, the Loan Agreement contains provisions relating to the construction, maintenance and operation of the Project, indemnification, insurance, and other agreements and covenants which are required or permitted by the Act and which the City and Borrower deem necessary or desirable for the financing of the Project. A draft of the Loan Agreement has been submitted to the City.

(f) Pursuant to a Pledge Agreement (the "Pledge Agreement") to be entered into between the City and Lender, the City will pledge and grant a security interest in all of its rights, title, and interest in the Loan Agreement to the Lender (except for certain rights of indemnification and to reimbursement for certain costs and expenses). A draft of the Pledge Agreement has been submitted to the City.

(g) Pursuant to a Combination Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Financing Statement (the "Mortgage") to be executed by the Borrower in favor of the City, the Borrower will secure payment of amounts due under the Loan Agreement and Note by granting to the City a mortgage and security interest in the property described therein. Pursuant to an Assignment of Mortgage to be executed by the City (the "Assignment"), the City will assign the Mortgage to the Lender.

(h) Roseville has approved the issuance of the Note to finance the Project located within Roseville and has authorized execution of a Joint Powers Agreement (the "Joint Powers Agreement") by and between the City and Roseville. A draft of the Joint Powers Agreement has been submitted to the City.

(i) The sale proceeds of the Note shall be disbursed pursuant to a Disbursing Agreement (the "Disbursing Agreement") by and among the City, Lender, Borrower and a title insurance company. Certain requirements of law for the Project are set forth in a Regulatory Agreement (the "Regulatory Agreement") by and among the City, Borrower and Lender. Drafts of the Disbursing Agreement and Regulatory Agreement have been submitted to the City.

(j) The Note will be a special limited obligation of the City. The Note shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the City be subject to any liability thereon. No holder of the Note shall ever have the right to compel any exercise of the taxing power of the City to pay the Note or the interest thereon, nor to enforce payment thereof against any property of the City. The Note shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

(k) It is desirable, feasible and consistent with the objects and purposes of the Act to issue the Note, for the purpose of financing the costs of the Project.

(l) The Project constitutes a "qualified residential rental project" within the meaning of Section 142(d) of the Code, and a "multifamily housing development" authorized by the Act, and furthers the purposes of the Act.

(m) The purpose of the Project is, and the effect thereof will be, to promote the public welfare by the acquisition and renovation of a facility for use as a multifamily housing development designed primarily for occupancy by persons of low income.

(n) The Project is to be located within the jurisdiction of Roseville at a site which is easily accessible to employment opportunities, health facilities and other amenities within Roseville and surrounding communities.

(o) The Act authorizes (i) the acquisition and renovation of the Project, (ii) the issuance and sale of the Note, (iii) the execution and delivery by the City of the Loan Agreement, Disbursing Agreement, Regulatory Agreement, Joint Powers Agreement, Assignment and Pledge Agreement, (iv) the performance of all covenants and agreements of the City contained in the Loan Agreement, Disbursing Agreement, Joint Powers Agreement, Regulatory Agreement and Pledge Agreement, and (v) the performance of all other acts and things required under the constitution and laws of the State of Minnesota to make the Loan Agreement, Disbursing Agreement, Assignment, Regulatory Agreement, Joint Powers Agreement, Pledge Agreement and Note valid and binding obligations of the City in accordance with their terms.

(p) It is desirable that the Borrower be authorized, subject to the terms and conditions set forth in the Loan Agreement, which terms and conditions the City determines to be necessary, desirable and proper, to complete the acquisition, renovation and equipping of the Project by such means as shall be available to the Borrower and in the manner determined by the Borrower, and with or without advertisement for bids as required for the acquisition and installation of municipal facilities.

(q) The payments under the Loan Agreement are fixed to produce revenue sufficient to provide for the prompt payment of principal of, premium, if any, and interest on the Note 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 taxes and special assessments levied upon or with respect to the Project and payable during the term of the Loan Agreement.

(r) There is no litigation pending or, to the actual knowledge of the City, threatened against the City questioning the City's execution or delivery of the Note, Loan Agreement, Disbursing Agreement, Regulatory Agreement, Joint Powers Agreement, Assignment or Pledge Agreement or questioning the due organization of

the City, or the powers or authority of the City to issue the Note and undertake the transactions contemplated hereby.

(s) The execution, delivery and performance of the City's obligations under the Note, Disbursing Agreement, Regulatory Agreement, Pledge Agreement, Joint Powers Agreement, Assignment and Loan Agreement do not and will not violate any order against the City of any court or other agency of government, or any indenture, agreement or other instrument to which the City is a party or by which it or any of its property is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument.

1.2 Authorization and Ratification of Project. The City has heretofore and does hereby authorize the Borrower, in accordance with the provisions of the Act and subject to the terms and conditions imposed by the Lender, to provide for the acquisition and renovation of the Project by such means as shall be available to the Borrower and in the manner determined by the Borrower, and without advertisement for bids as may be required for the construction and acquisition of other municipal facilities; and the City hereby ratifies, affirms, and approves all actions heretofore taken by the Borrower consistent with and in anticipation of such authority.

SECTION 2. THE NOTES.

2.1 Authorized Maximum Amount and Form of Note; Interest Rate. The Note issued pursuant to this Resolution shall be in substantially the form submitted to the City Council of the City on the date hereof, and shall mature in the years and amounts and be subject to redemption as therein specified, as such may be modified by agreement of the Lender, Borrower and City; and the total aggregate principal amount of the Note that may be outstanding hereunder is expressly limited to \$12,000,000, unless a duplicate Note is issued pursuant to Section 2.7. The Note shall be issued in an amount not to exceed \$12,000,000, the actual amount to be determined by the agreement of the Lender and Borrower and any of the officers specified in Section 2.3. The Note shall bear interest at the rate set forth therein which will be determined by the agreement of the Lender and Borrower and any of the officers authorized to execute the Note in Section 2.3. The offer of the Lender to purchase the Note at a purchase price equal to its stated amount is hereby accepted.

2.2 The Note. The Note shall be dated as of the date of delivery to the Lender, shall be payable at the times and in the manner, shall bear interest at the rate, and shall be subject to such other terms and conditions as are set forth therein.

2.3 Execution of Note. The Note shall be executed on behalf of the City by the Mayor and the City Administrator. 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 signatory had remained in office until delivery. In the event of the absence or disability of the Mayor and the City Administrator, such officers of the City as, in the opinion of the City Attorney, may act in their

behalf, shall without further act or authorization of the City Council of the City execute and deliver the Note.

2.4 Delivery of Note. Before delivery of the Note there shall be filed with the Lender (except to the extent waived by the Lender) the following items:

- (a) an executed copy of each of the following documents:
 - (i) the Loan Agreement;
 - (ii) the Pledge Agreement;
 - (iii) the Disbursing Agreement;
 - (iv) the Regulatory Agreement;
 - (v) the Joint Powers Agreement;
- (b) an opinion of Counsel for the Borrower as prescribed by the Lender and Bond Counsel;
- (c) the opinion of Bond Counsel as to the validity and tax exempt status of the Note; and
- (d) such other documents and opinions as Bond Counsel may reasonably require for purposes of rendering its opinion required in subsection (3) above or that the Lender may reasonably require for the closing.

2.5 Disposition of Note Proceeds. Upon delivery of the Note to the Lender, the purchase price paid will be disbursed in accordance with the Disbursing Agreement.

2.6 Registration of Transfer. The City will cause to be kept at the office of its Secretary a Note Register in which, subject to such reasonable regulations as it may prescribe, the City shall provide for the registration of transfers of ownership of the Note. The Note shall be initially registered in the name of the Lender and shall be transferable upon the Note Register by the Lender in person or by its agent duly authorized in writing, upon surrender of the Note together with a written instrument of transfer satisfactory to the Administrator, duly executed by the Lender or its duly authorized agent. The following form of assignment shall be sufficient for said purpose.

For value received _____ hereby sells, assigns and transfers unto _____ the attached Note of the City of Falcon Heights, Minnesota, and does hereby irrevocably constitute and appoint _____ attorney to transfer said Note on the books of said City, with full power of substitution in the premises. The undersigned certifies that the transfer is made in accordance with the provisions of Section 2.9 of the Resolution authorizing the issuance of the Note.

Dated: _____

Registered Owner

Upon such transfer the Administrator shall note the date of registration and the name and address of the new Lender in the Note Register and in the registration blank appearing on the Note.

2.7 Mutilated, Lost or Destroyed Note. In case the Note shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and delivered a new Note of like outstanding principal amount, number and tenor in exchange and substitution for and upon cancellation of such mutilated Note, or in lieu of and in substitution for such Note destroyed or lost, upon the Lender's paying the reasonable expenses and charges of the City in connection therewith, and in the case of a Note destroyed or lost, the filing with the City of evidence satisfactory to the City with indemnity satisfactory to it. If the mutilated, destroyed or lost 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.

2.8 Ownership of Note. The City may deem and treat the person in whose name each Note is last registered in the Note Register and by notation on each Note, whether or not such Note shall be overdue, as the absolute owner of such Note for the purpose of receiving payment of or on account of the Principal Balance, redemption price or interest and for all other purposes whatsoever, and the City shall not be affected by any notice to the contrary.

2.9 Limitation on Note Transfers. The Note has been issued without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly the Note may not be assigned or transferred in whole or part, nor may a participation interest in the Note be given pursuant to any participation agreement, except as an exempt security or as an exempt transaction.

SECTION 3. MISCELLANEOUS.

3.1 Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions contained herein invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs contained in this Resolution shall not affect the remaining portions of this Resolution or any part thereof.

3.2 Authentication of Transcript. The officers of the City are directed to furnish to Bond Counsel certified copies of this Resolution and all documents referred to herein, and affidavits or certificates as to all other matters which are reasonably necessary to evidence the validity of the Note. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute recitals of the City as to the correctness of all statements contained therein.

3.3 Authorization to Execute Agreements. The forms of the proposed Loan Agreement, Pledge Agreement, Mortgage, Disbursing Agreement, the Joint Powers Agreement, Regulatory Agreement and Assignment are hereby approved in substantially the form heretofore presented to the City Council of the City, together with such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel prior to the execution of the documents and the officers specified in Section 2.3 are authorized to execute the Loan Agreement, Regulatory Agreement, Disbursing Agreement, the Joint Powers Agreement, Assignment and Pledge Agreement, and such other documents as Bond Counsel consider appropriate in connection with the issuance of the Note, in the name of and on behalf of the City. In the event of the absence or disability of any of the officers specified in Section 2.3, such officers of the City as, in the opinion of the City Attorney, may act in their behalf shall without further act or authorization of the City Council of the City do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers. The execution of any instrument by the appropriate officer or officers of the City herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

3.4 Not Qualified Tax-Exempt Obligation. The Note does not qualify as a "qualified tax exempt obligation" within the meaning of Section 265(b)(3) of the Code.

3.5 Future Amendments. The authority to approve, execute and deliver future amendments to financing documents entered into by the City in connection with the issuance of the Note and consents required under the financing documents is hereby delegated to the Mayor and the City Administrator, subject to the following conditions: (a) such amendments or consents do not materially adversely affect the interests of the City; (b) such amendments or consents do not contravene or violate any policy of the City, and (c) such amendments or consents are acceptable in form and substance to the counsel retained by the City to review such amendments. 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 Mayor and the City Administrator shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof. In the absence of the Mayor and the City Administrator, any instrument authorized by this paragraph to be executed and delivered may be executed by the officer of the City authorized to act in their place and stead. The City Council shall be informed of all amendments made pursuant to this paragraph.

3.6 Approval of Housing Program. Pursuant to Section 462C.04 of the Act, the "City of Falcon Heights, Minnesota Housing Finance Program", dated February 13, 2008 (being the date on which a hearing was held on the program), is hereby adopted, and is hereby confirmed to be the housing program which relates to the Note and Project. The City hereby makes and confirms the findings and conclusions set forth in said housing program.

3.7 Program. The City hereby establishes a governmental program of acquiring purpose investments for qualified residential rental projects. The governmental program is one

in which the following requirements of §1.148-1(b) of the federal regulations relating to tax-exempt obligations shall be met:

(a) the program shall involve the origination or acquisition of purpose investments;

(b) at least 95% of the cost of the purpose investments acquired under the program shall represent one or more loans to a substantial number of persons representing the general public, states or political subdivisions, 501(c)(3) organizations, persons who provide housing and related facilities, or any combination of the foregoing;

(c) at least 95% of the receipts from the purpose investments shall be used to pay principal, interest, or redemption prices on issues that financed the program, to pay or reimburse administrative costs of those issues or of the program, to pay or reimburse anticipated future losses directly related to the program, to finance additional purpose investments for the same general purposes of the program, or to redeem and retire governmental obligations at the next earliest possible date of redemption;

(d) the program documents shall prohibit any obligor on a purpose investment financed by the program or any related party to that obligor from purchasing bonds of an issue that finances the program in an amount related to the amount of the purpose investment acquired from that obligor; and

(e) the City shall not waive the right to treat the investment as a program investment.

3.8 Headings; Terms. Paragraph headings in this resolution are for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof. Capitalized terms used, but not defined, herein shall have the meanings given them in, or pursuant to, the Loan Agreement.

Moved by: Mercer-Taylor

LINDSTROM 4 In Favor
KUETTEL
HARRIS 0 Against
LONG
MERCER-TAYLOR

Approved by: Peter C Lindstrom
Peter Lindstrom, Mayor
April 23, 2008

Attested by: Justin Miller
Justin Miller
City Administrator
April 23, 2008