City Council Memorandum

To: Mayor Fasbender & City Councilmembers
From: Melanie Lammers, Finance Manager
Date: June 17, 2019
Item: Set Sale Date for Issuance of Bonds

Council Action Requested:
Approve the sale date as July 15, 2019 for $3,935,000 of General Obligation Bonds, as well as corresponding resolution.

Background Information:
These bonds are for the financing of various street improvement projects within the City, including Louis Lane neighborhood and Bohlken Drive/31st West neighborhood. These obligations will be sold by a competitive negotiated sale in accordance with Minnesota Statues, Chapters 429, 444, and 475. The rating of these bonds will take place the week of June 24th, 2019.

Financial Impact:
Bonds and interest payments are factored into the City's debt structure.

Advisory Commission Discussion:
N/A

Council Committee Discussion:
N/A

Attachments:
Resolution
Finance Plan

EXTRACT OF MINUTES OF A MEETING
OF THE CITY COUNCIL
CITY OF HASTINGS, MINNESOTA

HELD: June 17, 2019

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of Hastings, Dakota and Washington Counties, Minnesota, was duly held at the City Hall on June 17, 2019, at 7:00 P.M. for the purpose in part of authorizing the competitive negotiated sale of the $3,935,000 General Obligation Bonds, Series 2019A.

The following members were present:

and the following were absent:

Member _______________ introduced the following resolution and moved its adoption:

RESOLUTION NO. _______________

RESOLUTION PROVIDING FOR THE COMPETITIVE NEGOTIATED SALE OF GENERAL OBLIGATION BONDS, SERIES 2019A

A. WHEREAS, the City Council of the City of Hastings, Minnesota (the "City"), has heretofore determined that it is necessary and expedient to issue General Obligation Bonds, Series 2019A (the "Bonds") to finance various improvement projects in the City; and

B. WHEREAS, the City has retained Northland Securities, Inc., in Minneapolis, Minnesota ("Northland"), as its independent municipal advisor and is therefore authorized to sell the Bonds by competitive negotiated sale in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

C. WHEREAS, the City has retained Briggs and Morgan, Professional Association, in Minneapolis, Minnesota as its bond counsel for purposes of this financing.

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

1. Authorization. The City Council hereby authorizes Northland to solicit proposals for the competitive negotiated sale of the Bonds.

2. Meeting; Proposal Opening. The City Council shall meet at the time and place specified in the Notice of Sale, in substantially the form attached hereto as Exhibit A, for the purpose of considering sealed proposals for and awarding the sale of the Bonds. The Finance Manager, or designee, shall open proposals at the time and place specified in the Notice of Sale.

3. Notice of Sale. The terms and conditions of the Bonds and the negotiation thereof are in substantially in the form set forth in the Notice of Sale attached hereto as Exhibit A and hereby approved and made a part hereof.

4. Official Statement. In connection with the competitive negotiated sale of the Bonds, the Finance Manager and other officers or employees of the City are hereby authorized to cooperate with Northland and participate in the preparation of an official statement for the Bonds, and to execute and deliver it on behalf of the City upon its completion.

The motion for the adoption of the foregoing resolution was duly seconded by member ________________ and, after full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.

STATE OF MINNESOTA
COUNTIES OF DAKOTA AND WASHINGTON
CITY OF HASTINGS

I, the undersigned, being the duly qualified and acting Clerk of the City of Hastings, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council duly called and held on the date therein indicated, insofar as such minutes relate to the City's $3,935,000 General Obligation Bonds, Series 2019A.

WITNESS my hand on June 17, 2019.

____
Clerk

EXHIBIT A

NOTICE OF SALE

$3,935,000*
GENERAL OBLIGATION BONDS, SERIES 2019A

CITY OF HASTINGS, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as "bids") will be opened by the City's Finance Manager, or designee, on Monday, July 15, 2019, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the City's "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Monday, July 15, 2019 at 7:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:
a) submitted to the office of Northland Securities, Inc.,
b) faxed to Northland Securities, Inc. at 612-851-5918,
c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4945, or
d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Monday, July 15, 2019. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through U.S. Bank, National Association, St. Paul, Minnesota (the "Paying Agent/Registrar"), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be August 8, 2019)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475. Proceeds will be used to finance an improvement project and a water project, and to pay costs associated with the issuance of the Bonds. The Bonds are payable from special assessments levied against benefited property, net revenues of the City's water utility, and additionally secured by ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August 1, 2020, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

Year	Amount	Year	Amount
2021	$330,000	2026	$395,000
2022	370,000	2027	410,000
2023	380,000	2028	415,000
2024	385,000	2029	425,000
2025	390,000	2030	435,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *Rates must be in level or ascending order*. All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's Municipal Advisor and any notice or report to be provided to the City may be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
(2) all bidders shall have an equal opportunity to bid;
(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
(4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

(1) the close of the fifth (5th) business day after the award date; or
(2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2029 and 2030 are subject to redemption and prepayment at the option of the City on February 1, 2028 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within forty days after award, subject to an approving legal opinion by Briggs and Morgan, Professional Association, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than $3,895,650 (99.00%) and accrued interest on the principal sum of $3,935,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Melanie Lammers, Finance Manager
Hastings City Hall
101 4th Street East
Hastings, Minnesota 55033

A good faith deposit (the "Deposit") in the amount of $78,700 in the form of a federal wire transfer (payable to the order of the City) <u>is only required from the apparent winning bidder</u>, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: June 17, 2019

BY ORDER OF THE HASTINGS, MINNESOTA CITY COUNCIL

/s/ Melanie Lammers
Finance Manager

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)

The undersigned, on behalf of ______________________________ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2019A (the "Bonds") of the City of Hastings, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in **Schedule A** (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _________________.

(d) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Briggs and Morgan, Professional Association, Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _________________, 2019.

____

By__________________________________

Its _______________________________

(ISSUE PRICE CERTIFICATE – HOLD THE PRICE)

The undersigned, on behalf of ________________________________ (the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Bonds, Series 2019A (the "Bonds") of the City of Hastings, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

(a) The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_________________), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _______________, 2019.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Briggs and Morgan, Professional Association, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: __________, 2019

____

By:____
Its _________________________________

Finance Plan

Hastings, Minnesota

$3,935,000
General Obligation Bonds, Series 2019A

June 17, 2019

NORTHLAND SECURITIES

150 South 5th Street, Suite 3300
Minneapolis, MN 55402
612-851-5900 800-851-2920
www.northlandsecurities.com

Contents

Executive Summary

The following is a summary of the recommended terms for the issuance of $3,935,000 General Obligation Bonds, Series 2019A (the "Bonds"). Additional information on the proposed finance plan and issuing process can be found after the Executive Summary, in the Issue Overview and Attachment 3 – Related Considerations.

Purpose	Proceeds from the Bonds will be used to finance an improvement project and a water project, and to pay costs associated with the issuance of the Bonds.
Security	The Bonds will be a general obligation of the City. The City will pledge special assessments collected from benefitted properties for payment on the Improvement Portion of the Bonds, and net revenues of the water utility on the Revenue Portion of the Bonds.
Repayment Term	The Bonds will mature annually each February 1 in the years 2021 through 2030. Interest on the Bonds will be payable on August 1, 2020 and semiannually thereafter on each February 1 and August 1.
Estimated Interest Rate	Average coupon: 2.07% True interest cost (TIC): 2.24%
Prepayment Option	Bonds maturing on and after February 1, 2029 will be subject to redemption on February 1, 2028 and any day thereafter at a price of par plus accrued interest.
Rating	A rating will be requested from Standard & Poor's Rating Agency. The City's general obligation debt is currently rated "AA" by S&P.
Tax Status	The Bonds will be tax-exempt, bank qualified obligations.
Risk Factors	There are certain risks associated with all debt. Risk factors related to the Bonds are discussed in Attachment 5.
Type of Bond Sale	Public Sale – Competitive Bids
Proposals Received	Monday, July 15, 2019 @ 10:30 A.M.
Council Consideration	Monday July 15, 2019 @ 7:00 P.M.

Issue Overview

Purpose

Proceeds from the Bonds will be used to finance the following projects (together, the “Projects”):

- an improvement project, which includes Louis Lane neighborhood and Bohlken Drive/31st Street West neighborhood (the “Improvement Portion”),
- a water project, which also includes Louis Lane neighborhood and Bohlken Drive/31st Street West neighborhood (the “Revenue Portion”).

Proceeds will also be used to pay costs associated with issuing the Bonds. The Bonds have been sized based on estimates provided by City Staff and the City engineer. The table below contains the sources and uses of funds for the bond issue.

	Street Improvements	Water	Issue Summary
Sources Of Funds			
Par Amount of Bonds	$3,120,000.00	$815,000.00	$3,935,000.00
Total Sources	**$3,120,000.00**	**$815,000.00**	**$3,935,000.00**
Uses Of Funds			
Deposit to Project Construction Fund	3,056,300.00	800,000.00	3,856,300.00
Total Underwriter's Discount (1.000%)	31,200.00	8,150.00	39,350.00
Costs of Issuance	30,272.33	7,907.67	38,180.00
Rounding Amount	2,227.67	(1,057.67)	1,170.00
Total Uses	**$3,120,000.00**	**$815,000.00**	**$3,935,000.00**

Authority

The Bonds will be issued pursuant to the authority of Minnesota Statutes, Chapters 429, 444, and 475.

Under Chapter 429, an Improvement means any type of improvement made under authority granted by section 429.021, which includes, but is not limited to, improvements to streets and sidewalks, storm and sanitary sewer systems, and street lighting systems.

Before issuing bonds under Chapter 429, the City must hold a public hearing on the Improvements and the proposed bonds, and must then pass a resolution ordering the improvements by at least a 4/5 majority. Public hearings have been held for the Improvement Portion on February 19, 2019 and all corresponding resolutions have passed with a 4/5 majority.

Structure

The Improvement Portion has been structured over 10 years, with relatively level annual debt service payments. The Revenue Portion has also been structured over 10 years, with relatively level annual debt service payments.

The proposed structure for the bond issue and preliminary debt service projections are illustrated in Attachment 1 and the estimated levies are illustrated in Attachment 2.

Security and Source of Repayment

The Bonds will be general obligations of the City. The finance plan relies on the following assumptions for the revenues used to pay debt service, as provided by City staff:

- Special Assessments. The City is expected to levy special assessments against benefited properties in the amount of $1,795,991.67 for the Improvement Portion of the Bonds. The assessments will be payable over 10 years, with an interest rate of 1.50% over the average coupon on the Improvement Portion of the Bonds (currently estimated to be 3.60%) and structured for level annual payments of principal and interest. The plan assumes that the assessments will be levied in 2019 for initial payment in 2020.
- Utility Revenues. Net revenues of the City's water utility will be pledged for payment of the Revenue Portion of the Bonds. The City will covenant to adopt water rates and charges that are sufficient to produce net revenues equal to at least 105% of the debt service requirements on the Revenue Portion of the Bonds. In the event there is a deficiency in the amount of net revenues available for payment of debt service, the City may levy taxes to cover the insufficiency, but only on a temporary basis until rates are adjusted.
- Property Taxes. The remaining revenues needed to pay debt service on the Bonds are expected to come from property tax levies. The initial projections show an average annual tax levy of approximately $151,491 is needed to produce the statutory requirement of 105% of debt service, after accounting for assessments and utility revenues. The levy may be adjusted annually based on actual special assessment collections and additional monies in the debt service fund. The initial tax levy will be made in 2019 for taxes payable in 2020.

Plan Rationale

The Finance Plan recommended in this report is based on a variety of factors and information provided by the City related to the financed project and City objectives, Northland's knowledge of the City and our experience in working with similar cities and projects. The issuance of General Obligation Bonds provides the best means of achieving the City's objectives and cost effective financing. The City has successfully issued and managed this type of debt for previous projects.

Issuing Process

Northland will receive bids to purchase the Bonds on Monday, July 15, 2019 at 10:30 AM. Market conditions and the marketability of the Bonds support issuance through a competitive sale. This process has been chosen as it is intended to produce the lowest combination of interest expense and underwriting expense on the date and time set to receive bids. The calendar of events for the issuing process can be found in Attachment 4.

Municipal Advisor: Northland Securities, Inc., Minneapolis, Minnesota

Bond Counsel: Briggs & Morgan P.C., Minneapolis, Minnesota

Paying Agent: U.S. Bank, National Association, St. Paul, Minnesota

Attachment 1 – Preliminary Debt Service Schedules

Total Combined 2019A Bonds

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/08/2019	-	-	-	-	-
08/01/2020	-	-	76,828.98	76,828.98	-
02/01/2021	330,000.00	1.800%	39,176.25	369,176.25	446,005.23
08/01/2021	-	-	36,206.25	36,206.25	-
02/01/2022	370,000.00	1.800%	36,206.25	406,206.25	442,412.50
08/01/2022	-	-	32,876.25	32,876.25	-
02/01/2023	380,000.00	1.850%	32,876.25	412,876.25	445,752.50
08/01/2023	-	-	29,361.25	29,361.25	-
02/01/2024	385,000.00	1.850%	29,361.25	414,361.25	443,722.50
08/01/2024	-	-	25,800.00	25,800.00	-
02/01/2025	390,000.00	1.900%	25,800.00	415,800.00	441,600.00
08/01/2025	-	-	22,095.00	22,095.00	-
02/01/2026	395,000.00	1.950%	22,095.00	417,095.00	439,190.00
08/01/2026	-	-	18,243.75	18,243.75	-
02/01/2027	410,000.00	2.000%	18,243.75	428,243.75	446,487.50
08/01/2027	-	-	14,143.75	14,143.75	-
02/01/2028	415,000.00	2.100%	14,143.75	429,143.75	443,287.50
08/01/2028	-	-	9,786.25	9,786.25	-
02/01/2029	425,000.00	2.200%	9,786.25	434,786.25	444,572.50
08/01/2029	-	-	5,111.25	5,111.25	-
02/01/2030	435,000.00	2.350%	5,111.25	440,111.25	445,222.50
Total	**$3,935,000.00**	**-**	**$503,252.73**	**$4,438,252.73**	**-**

Date And Term Structure	
Dated	8/08/2019
Delivery Date	8/08/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics	
Bond Year Dollars	$24,325.99
Average Life	6.182 Years
Average Coupon	2.0687866%
Net Interest Cost (NIC)	2.2305477%
True Interest Cost (TIC)	2.2388786%
All Inclusive Cost (AIC)	2.4119643%

*Assumes "AA" Rates as of June 7, 2019, plus 0.25%.

Improvement Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/08/2019	-	-	-	-	-
08/01/2020	-	-	60,914.56	60,914.56	-
02/01/2021	260,000.00	1.800%	31,061.25	291,061.25	351,975.81
08/01/2021	-	-	28,721.25	28,721.25	-
02/01/2022	295,000.00	1.800%	28,721.25	323,721.25	352,442.50
08/01/2022	-	-	26,066.25	26,066.25	-
02/01/2023	300,000.00	1.850%	26,066.25	326,066.25	352,132.50
08/01/2023	-	-	23,291.25	23,291.25	-
02/01/2024	305,000.00	1.850%	23,291.25	328,291.25	351,582.50
08/01/2024	-	-	20,470.00	20,470.00	-
02/01/2025	310,000.00	1.900%	20,470.00	330,470.00	350,940.00
08/01/2025	-	-	17,525.00	17,525.00	-
02/01/2026	315,000.00	1.950%	17,525.00	332,525.00	350,050.00
08/01/2026	-	-	14,453.75	14,453.75	-
02/01/2027	325,000.00	2.000%	14,453.75	339,453.75	353,907.50
08/01/2027	-	-	11,203.75	11,203.75	-
02/01/2028	330,000.00	2.100%	11,203.75	341,203.75	352,407.50
08/01/2028	-	-	7,738.75	7,738.75	-
02/01/2029	335,000.00	2.200%	7,738.75	342,738.75	350,477.50
08/01/2029	-	-	4,053.75	4,053.75	-
02/01/2030	345,000.00	2.350%	4,053.75	349,053.75	353,107.50
Total	**$3,120,000.00**	**-**	**$399,023.31**	**$3,519,023.31**	**-**

Date And Term Structure	
Dated	8/08/2019
Delivery Date	8/08/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics	
Bond Year Dollars	$19,289.33
Average Life	6.182 Years
Average Coupon	2.0686216%
Net Interest Cost (NIC)	2.2303690%
True Interest Cost (TIC)	2.2386981%
All Inclusive Cost (AIC)	2.4117646%

Water Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/08/2019	-	-	-	-	-
08/01/2020	-	-	15,914.42	15,914.42	-
02/01/2021	70,000.00	1.800%	8,115.00	78,115.00	94,029.42
08/01/2021	-	-	7,485.00	7,485.00	-
02/01/2022	75,000.00	1.800%	7,485.00	82,485.00	89,970.00
08/01/2022	-	-	6,810.00	6,810.00	-
02/01/2023	80,000.00	1.850%	6,810.00	86,810.00	93,620.00
08/01/2023	-	-	6,070.00	6,070.00	-
02/01/2024	80,000.00	1.850%	6,070.00	86,070.00	92,140.00
08/01/2024	-	-	5,330.00	5,330.00	-
02/01/2025	80,000.00	1.900%	5,330.00	85,330.00	90,660.00
08/01/2025	-	-	4,570.00	4,570.00	-
02/01/2026	80,000.00	1.950%	4,570.00	84,570.00	89,140.00
08/01/2026	-	-	3,790.00	3,790.00	-
02/01/2027	85,000.00	2.000%	3,790.00	88,790.00	92,580.00
08/01/2027	-	-	2,940.00	2,940.00	-
02/01/2028	85,000.00	2.100%	2,940.00	87,940.00	90,880.00
08/01/2028	-	-	2,047.50	2,047.50	-
02/01/2029	90,000.00	2.200%	2,047.50	92,047.50	94,095.00
08/01/2029	-	-	1,057.50	1,057.50	-
02/01/2030	90,000.00	2.350%	1,057.50	91,057.50	92,115.00
Total	**$815,000.00**	**-**	**$104,229.42**	**$919,229.42**	**-**

Date And Term Structure

Dated	8/08/2019
Delivery Date	8/08/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	$5,036.65
Average Life	6.180 Years
Average Coupon	2.0694184%
Net Interest Cost (NIC)	2.2312322%
True Interest Cost (TIC)	2.2395699%
All Inclusive Cost (AIC)	2.4127291%

Attachment 2 – Estimated Levy Schedules

Improvement Portion

Date	Total P+I	105% Levy	Less: Special Assessment Revenue*	Net Levy	Levy Year	Collection Year
02/01/2020	-	-	-	-		
02/01/2021	351,975.81	369,574.60	218,006.06	151,568.54	2019	2020
02/01/2022	352,442.50	370,064.63	218,006.06	152,058.57	2020	2021
02/01/2023	352,132.50	369,739.13	218,006.06	151,733.07	2021	2022
02/01/2024	351,582.50	369,161.63	218,006.06	151,155.57	2022	2023
02/01/2025	350,940.00	368,487.00	218,006.05	150,480.95	2023	2024
02/01/2026	350,050.00	367,552.50	218,006.06	149,546.44	2024	2025
02/01/2027	353,907.50	371,602.88	218,006.06	153,596.82	2025	2026
02/01/2028	352,407.50	370,027.88	218,006.06	152,021.82	2026	2027
02/01/2029	350,477.50	368,001.38	218,006.06	149,995.32	2027	2028
02/01/2030	353,107.50	370,762.88	218,006.06	152,756.82	2028	2029
Total	**$3,519,023.31**	**$3,694,974.48**	**$2,180,060.59**	**$1,514,913.89**		

*Special assessment revenue is based on assessments totaling $1,795,991.67 assessed at a rate of 3.60% (1.50% over the average coupon), with equal annual payments.

Attachment 3 – Related Considerations

Bank Qualification

We understand the City (in combination with any subordinate taxing jurisdictions or debt issued in the City's name by 501(c)3 corporations) anticipates issuing $10,000,000 or less in tax-exempt debt during this calendar year. Therefore the Bonds will be designated as "bank qualified" obligations pursuant to Federal Tax Law.

Arbitrage Compliance

Project/Construction Fund. All tax-exempt bond issues are subject to federal rebate requirements which require all arbitrage earned to be rebated to the U.S. Treasury. A rebate exemption the City expects to qualify for is the "18 month spending exemption."

Debt Service Fund. The City must maintain a bona fide debt service fund for the Bonds or be subject to yield restriction in the debt service fund. A bona fide debt service fund involves an equal matching of revenues to debt service expense with a balance forward permitted equal to the greater of the investment earnings in the fund during that year or 1/12 of the debt service of that year.

The City should become familiar with the various Arbitrage Compliance requirements for this bond issue. The Resolution for the Bonds prepared by Bond Counsel explains the requirements in greater detail.

Continuing Disclosure

Type: Full
Dissemination Agent: Northland Securities

The requirements for continuing disclosure are governed by SEC Rule 15c2-12. The primary requirements of Rule 15c2-12 actually fall on underwriters. The Rule sets forth due diligence needed prior to the underwriter's purchase of municipal securities. Part of this requirement is obtaining commitment from the issuer to provide continuing disclosure. The document describing the continuing disclosure commitments (the "Undertaking") is contained in the Official Statement that will be prepared to offer the Bonds to investors.

The City has more than $10,000,000 of outstanding debt and is required to undertake "full" continuing disclosure. Full disclosure requires annual posting of the audit and a separate continuing disclosure report, as well as the reporting of certain "material events." Material events set forth in the Rule, including, but not limited to, bond rating changes, call notices and issuance of "financial obligations" (such as USDA loans, Public Finance Authority loans, and lease agreements), must be reported within ten days of occurrence. The report contains annual financial information and operating data that "mirrors" material information presented in the Official Statement. The specific contents of the annual report will be described in the Undertaking that appears in the appendix of the Official Statement. Northland currently serves as dissemination agent for the City, assisting with the annual reporting. The information for the Bonds will be incorporated into our reporting.

Premiums

In the current market environment, it is likely that bids received from underwriters will include premiums. A premium bid occurs when the purchaser pays the City an amount in excess of the par amount of a maturity in exchange for a higher coupon (interest rate). The use of premiums reflects the bidder's view on future market conditions, tax considerations for investors and other factors. Ultimately, the true interest cost ("TIC") calculation will determine the lowest bid, regardless of premium.

A premium bid produces additional funds that can be used in several ways:

- The premium means that the City needs less bond proceeds and can reduce the size of the issue by the amount of the premium.
- The premium can be deposited in the Construction Fund and used to pay additional project costs, rather than used to reduce the size of the issue.
- The premium can be deposited in the Debt Service Fund and used to pay principal and interest.

Northland will work with City staff prior to the sale day to determine use of premium (if any). A consideration for use of premium is the bank qualification of the Bonds.

Rating

A rating will be requested from Standard and Poor's Rating Agency. The City's general obligation debt is currently rated "AA" by S&P. The rating process will include a conference call with the rating analyst. Northland will assist City staff in preparing for and conducting the rating call.

Attachment 4 – Calendar of Events

The following checklist of items denotes each milestone activity as well as the members of the finance team who will have the responsibility to complete it. *Please note this proposed timetable assumes regularly scheduled City Council meetings.*

May 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Date	Action	Responsible Party
June 10	Set Sale Resolution and Finance Plan Sent to City	Northland, Bond Counsel
June 11	Rating Request sent to S&P. Preliminary Official Statement Sent to City for Sign Off	Northland, City
June 17	Set Sale Resolution Adopted and Review of Finance Plan	Northland, Bond Counsel, **City Council Action**
Week of June 17 or June 24	Rating Call	Northland, City, Rating Agency
Week of July 1	Rating Received	Northland, City, Rating Agency
July 8	Awarding Resolution sent to City	Northland, Bond Counsel
July 15	Bond Sale at 10:30 a.m. Bond Proposal Signed and Awarding Resolution adopted – 7:00 p.m.	Northland, **City Council Action**
August 8	Closing on the Bonds (Proceeds Available)	Northland, City Staff, Bond Counsel

Attachment 5 - Risk Factors

Property Taxes: Property tax levies shown in this Finance Plan are based on projected debt service and other revenues. Final levies will be set based on the results of sale. Levies should be reviewed annually and adjusted as needed. The debt service levy must be included in the preliminary levy for annual Truth in Taxation hearings. Future Legislative changes in the property tax system, including the imposition of levy limits and changes in calculation of property values, would affect plans for payment of debt service. Delinquent payment of property taxes would reduce revenues available to pay debt service.

Special Assessments: Special assessments for the financed projects have not been levied at this time. This Finance Plan is based on the assumptions listed earlier in this report. Changes in the terms and timing for the actual assessments will alter the projected flow of funds for payment of debt service on the Bonds. Also, special assessments may be prepaid. It is likely that the income earned on the investment of prepaid assessments will be less than the interest paid if the assessments remained outstanding. Delinquencies in assessment collections would reduce revenues needed to pay debt service. The collection of deferred assessments, if any, has not been included in the revenue projections. Projected assessment income should be reviewed annually and adjusted as needed.

Utility Revenues: The City pledges the net revenues of the water utility to the payment of principal and interest on the Bonds. The failure to adjust rates and charges as needed and the loss of significant customers will affect available net revenues. If the net revenues are insufficient, the City is required to levy property taxes or use other revenues to cover the deficiency. Property taxes can only be used on a temporary basis and may not be an ongoing source of revenue to pay debt service.

General: In addition to the risks described above, there are certain general risks associated with the issuance of bonds. These risks include, but are not limited to:

- Failure to comply with covenants in bond resolution.
- Failure to comply with Undertaking for continuing disclosure.
- Failure to comply with IRS regulations, including regulations related to use of the proceeds and arbitrage/rebate. The IRS regulations govern the ability of the City to issue its bonds as tax-exempt securities and failure to comply with the IRS regulations may lead to loss of tax-exemption.