

CERTIFICATE OF BORROWER

\$2,300,000 School Lease Revenue Note, Series 2008 (Prairie Creek Community School Project)

March 23, 2018

This Certificate has been prepared and executed by Prairie Creek, Inc., a Minnesota nonprofit corporation (the “Borrower”), in conjunction with the amendment of the interest rate of the Prairie Creek Community School Project, Series 2008 (Prairie Creek Community School Project) (the “Original Note”), issued by the Economic Development Authority in and for the City of Northfield, Minnesota (the “Issuer”) in the original aggregate principal amount of \$2,300,000.

The proceeds of the Note were loaned to the Borrower pursuant to a Loan Agreement, dated as of December 23, 2008, between the Borrower and the Issuer (as amended, the “Loan Agreement”). The Issuer assigned to and granted to the Lender a security interest in all of the Issuer’s right, title and interest in and to the Loan Agreement (except certain reserved rights including the Issuer’s rights to indemnification and payment of costs and expenses as provided in the Loan Agreement) pursuant to a Pledge Agreement, dated as of December 23, 2008, between the Issuer and the Lender. Pursuant to an Amendment No. 1 to the Note (the “Note Amendment” and, together with the Original Note, the “Note”) dated as of the date hereof, the Lender, the Borrower and the Issuer have agreed to amend the interest rate provision of the Note.

The undersigned authorized officer of the Borrower hereby certifies as follows on behalf of the Borrower:

1. No Default. The Borrower is not presently in default in any of its obligations under the Loan Agreement, and the representations and warranties of the Borrower given by the Borrower in connection with the issuance of the Note continue to be true, complete, and correct as of the date hereof.

2. Nonprofit Status. The Borrower maintains its status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and exempt from federal income taxation pursuant to Section 501(a) of the Code. The Borrower has not been notified by the Internal Revenue Service of any revocation, modification, withdrawal or rescission of the determination letter recognizing the Borrower as an organization described in Section 501(c)(3) of the Code, and the ownership and operation of the facilities financed with the proceeds of the Note are not an “unrelated trade or business” of the Borrower within the meaning of Section 513 of the Code. The Borrower is not a “private foundation” within the meaning of Section 509 of the Code.

3. Authority. The Note Amendment and the Amendment to Loan Agreement have been duly authorized, signed, acknowledged and delivered by the undersigned on behalf of the

Borrower and said agreements, including any amendments thereto, have not been further amended or rescinded.

4. No Violation. The Note Amendment and the carrying out of the terms thereof do not and will not result in violation of any provision of or in a default under the Articles of Incorporation and Bylaws of the Borrower or any indenture, mortgage, deed of trust, indebtedness, or other agreement, to which the Borrower is a party or by which it or its property is bound or result in the creation of a lien or encumbrance upon its property in violation of any such indenture, mortgage, deed of trust or other agreement, and do not and will not conflict with any present order, rule or regulation applicable to the Borrower of any court or of any federal or state regulatory body or administrative agency or other governmental agency having jurisdiction over the Borrower.

5. No Litigation. There is no litigation pending or, to the best of the Borrower's knowledge after due inquiry, threatened adversely affecting nor in any way questioning the execution or validity of the Note Amendment.

6. Existence. There are no proceedings pending or, to the knowledge of the undersigned, threatened, contemplating the liquidation or dissolution of the Borrower or threatening its existence.

7. Purpose; Not Combined Issue. The Note is deemed reissued on the date hereof as a remediation under Section 1.1001-3 of the of the Treasury Regulations (the "Regulations") promulgated under the Internal Revenue Code of 1986, as amended (the "Code"), and paragraphs 7 through 17 of this certificate deal with arbitrage and hedge bond aspects of the deemed reissuance. The proceeds of the Note financed the acquisition, construction and equipping of an approximately 11,000 square foot addition to the existing public charter school facility owned by Prairie Creek, Inc., in the City of Northfield, Minnesota leased to and operated by Prairie Creek Community School (the "Project"). The Project constitutes a "capital project" under §1.148-1(b) of the Regulations.

The reissuance of the Note is a single purpose issue for the purpose of refinancing the Project.

Except for the Note, there are no other obligations of a state or political subdivision which (i) were sold within 15 days of the sale of the Note, (ii) have been sold pursuant to the same plan of financing, including bonds for the same facility or related facilities, and (iii) are reasonably expected to be paid from substantially the same source of funds, determined without regard to guarantees from unrelated parties. Consequently, the Note is not treated as part of the same issue as any other obligations of the Issuer.

8. Proceeds and Uses. The Note Amendment was delivered and paid for on the date hereof. The issue price of the Note as reissued on the date hereof is its outstanding principal amount of \$1,366,573. The "sale proceeds" of the Note, within the meaning of the Regulations, were equal to the issue price (being the issue price less pre-issuance accrued interest), and

included \$-0- used to pay underwriter's discount or compensation and \$-0- of accrued interest other than pre-issuance accrued interest. All sale proceeds of the Note are deemed to be spent on the date hereof to discharge the Original Note.

Upon deemed discharge of the Original Note on the date hereof, unspent proceeds of the Original Note all will become transferred proceeds of the Note, and this paragraph demonstrates that the unspent proceeds of the Original Note that become proceeds of the Note will meet requirements applicable to the Note. Unspent proceeds of the Original Note consist of proceeds of such issue minus expenditures made with such proceeds other than amounts expended on acquired obligations.

On the date hereof there are no original proceeds or investment proceeds of the Original Note which are unspent proceeds of the Original Note. Any transferred proceeds of the Note will be invested at a yield not materially higher than the yield on the Note or in obligations exempt from federal income taxation under Section 103(a) of the Code or as part of the \$100,000 minor portion of the Note if and to the extent such transferred proceeds remain after the earlier of (i) construction of the Project is complete or, (ii) three (3) years from the date of original issuance.

There are no replacement proceeds of the Note within the meaning of §1.148-1(c)(1) or (4) of the Regulations. For purposes of the safe harbor against the creation of certain replacement proceeds provided by §1.148-1(c)(4)(i)(B) of the Regulations, the Note has a weighted average maturity that does not exceed 120% of the average reasonably expected economic life of the Project, determined in the same manner as under §147(b) of the Code. The average maturity date of the Note Amendment is not later than the average maturity date of the Original Note.

9. Governmental Purposes; No Overburdening of the Tax-Exempt Market. The stated purpose of the Note is a governmental purpose within the meaning of applicable law and regulations. Proceeds of the Note in an amount equal to the sale proceeds of the Original Note (less the amount of issuance expenses), together with estimated investment earnings thereon, did not exceed the estimated dollar cost of financing the Project, less all other funds to be expended for paying such costs.

10. Yield Determination; Materially Higher. The yield of the Note is variable and has not been calculated as of the date hereof; the yield on the Note will be calculated as required by the Code or the Regulations. A "materially higher" yield is understood to be 0.125% in most circumstances, but only 0.001% higher than the yield on the Note for a sinking fund or other replacement proceeds or other gross proceeds.

11. Intentional Acts. The Borrower shall not take any deliberate, intentional action after the date hereof to earn arbitrage profit except to the extent such action would not have caused the Note to be an arbitrage bond had it been reasonably expected on the date hereof.

12. Not Hedge Bond. The Note is not a hedge bond within the meaning of §149(g) of the Code, because (1) the Borrower reasonably expected on the date of issuance of the Note that

85% of the spendable proceeds of the Note would be used to carry out the governmental purposes of the Note within the 3 year period beginning on date of issuance, and the proceeds affected by the deemed reissuance of the Note were so used, and (2) not more than 50% of the proceeds of the Note were invested in nonpurpose investments having a substantially guaranteed yield for 4 years or more.

13. Basis For Expectations. The facts and estimates on which the foregoing expectations are based are (a) all contracts, if any, heretofore executed for the acquisition and installation of the Project, (b) all expenditures which were heretofore made by the Borrower for the acquisition and completion of the Project or were reimbursed out of the proceeds of the Note, and (c) such other facts and estimates, if any, as may be set forth in exhibits attached hereto, which exhibits are hereby incorporated herein by reference and made a part hereof.

14. No Abusive Arbitrage Device. No “abusive arbitrage device” within the meaning of §1.148-10 of the Regulations is used in connection with the Amendment. No action relating to the Amendment has the effect of (1) enabling the Borrower to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage, and (2) overburdening the tax-exempt market.

15. No Other Facts; Conclusion. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances which would materially change the foregoing facts and conclusions, and nothing has been called to our attention to cause us to believe that the proceeds of the Note will be used in a manner which would cause the Note to be arbitrage bonds within the meaning of §148 of the Code or hedge bonds within the meaning of §149(g) of the Code.

16. Continuing Compliance.

(a) This Certificate serves, in part, as a guideline to, and written procedures for, implementing the requirements of Sections 141 to 150 of the Code. The Borrower will monitor the use of proceeds of the Note and of the facilities financed with proceeds of the Note, in order to assure that the Note continue to qualify as a “qualified bond” within the meaning of Section 141(e) and Section 145 of the Code. The Borrower will consult with bond counsel as necessary to determine whether, and to what extent, if as a result of any change in use or purpose of the financed facilities, any remedial action is required under Sections 1.141-12, 1.142-2 and/or 1.145-2 of the Regulations.

(b) Further, the Borrower will monitor the investment of proceeds of the Note to assure compliance with Section 148 of the Code, and the Borrower will consult with bond counsel periodically with regard to arbitrage compliance.

(c) The Borrower’s Chief Financial Officer will have primary responsibility for the monitoring described in this Section, subject to any amendments to the post-issuance compliance procedures described in this Section.

17. No Other Facts. To the best knowledge, information, and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change any of the foregoing certifications. The representations contained in this Certificate are made for the benefit of the Issuer, the Lender and Kennedy & Graven, Chartered, as bond counsel (“Bond Counsel”), and may be relied upon by the Issuer, the Lender and Bond Counsel.

18. Signature. I certify that the signature shown below is the signature of _____, the duly authorized, qualified and acting _____ of the Borrower. The _____ of the Borrower is authorized to execute this Certificate and the Note Amendment by necessary corporate action.

Dated as of the date first written above.

PRAIRIE CREEK COMMUNITY SCHOOL

By _____

Its _____

ENDORSEMENT OF ECONOMIC DEVELOPMENT AUTHORITY
IN AND FOR THE CITY OF NORTHFIELD, MINNESOTA
TO BORROWER CERTIFICATE

March 23, 2018

The undersigned, being the duly appointed and acting President and Secretary (the “Issuer Officials”), respectively, of the Economic Development Authority in and for the City of Northfield, Minnesota (the “Issuer”), hereby certify that they have been authorized to execute, on behalf of the Issuer, this Endorsement of Issuer to Borrower Certificate relating to the Issuer’s Amendment No. 1 to the School Lease Revenue Note, Series 2008 (Prairie Creek Community School Project) (the “Note”). The Note has been amended in order to change how the interest rate on the Note is calculated. The Note is deemed reissued on the date hereof in the principal amount of \$1,366,573 as a remediation under Section 1.1001-3 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended (the “Code”).

1. The Issuer Officials have been authorized by a resolution adopted by the Board of Commissioners of the Issuer on March 22, 2018 to execute and deliver the Note.

2. The Issuer expects that the amount and use of the proceeds of the Note will be as represented and certified by Prairie Creek, Inc., a Minnesota nonprofit corporation, (the “Borrower”) in Sections 7 through 17 of the Borrower Certificate. While the Issuer Officials have made no independent investigation with respect to such representations and certifications, nothing has come to the attention of the Issuer Officials that would cause the Issuer Officials to question the representations and certifications set forth in the Borrower Certificate.

3. The facts and estimates that form the basis for such expectations by the Issuer are solely those facts and estimates of the Borrower set forth in: (i) the Loan Agreement, dated as of December 23, 2008, between the Issuer and the Borrower; (ii) the Borrower’s Tax Certificate, dated as of December 23, 2008, by the Issuer; (iii) the Borrower Certificate; and (iv) the other documents included in the transcript prepared by bond counsel with respect to the Note. While the Issuer Officials have made no independent investigation with respect to such facts and estimates, nothing has come to the attention of the Issuer Officials that would cause the Issuer Officials to question the facts and estimates set forth in the foregoing documents.

ECONOMIC DEVELOPMENT AUTHORITY IN
AND FOR THE CITY OF NORTHFIELD,
MINNESOTA

By _____
President

By _____
Treasurer