CLOSING AGREEMENT ON FINAL DETERMINATION OF TAX LIABILITY AND SPECIFIC MATTERS

By and Between

**Internal Revenue Service,
Commissioner**

-And-

**City of Minneapolis, Minnesota
(EIN: 41-6005375)**

Under section 7121 of the Internal Revenue Code (the "Code"), City of Minneapolis, Minnesota, (the "Issuer") and the Commissioner of Internal Revenue (the "Service") make this closing agreement (the "Agreement").

WHEREAS, the parties have determined the following facts and made legal conclusions and representations:

A. This agreement is in settlement of issues raised in the examination of $26,350,000, General Obligation Tax Increment Refunding Bonds, Series 2003 (Laurel Village), issued on January 29, 2003 (the "Bonds").

B. The proceeds of the Bonds were used to current refund the outstanding principal amount of the General Obligation Laurel Village Advance Refunding Bonds, Series 1992 (the "Series 1992 Bonds"). The Series 1992 Bonds were issued to refund the General Obligation Redevelopment Bonds, Series 1986C.

C. The Bonds were issued to refinance the acquisition of land, site improvements on the land, and the construction of public parking facilities on the land (together, the "Project"), all of which are owned by the Minneapolis Community Development Agency (the "Agency"). The Project was leased pursuant to a series of lease agreements (the "Leases") by the Agency to certain partnerships (the "Lessees"), which partnerships do not constitute governmental units. Pursuant to the Leases, payments by the Lessees include payments of real estate taxes (the "Taxes") and payments of additional rent (the "Holding Rent") to the extent the amount of Taxes is below certain minimum amounts specified in the Leases. The Taxes and the Holding Rent are referred to herein as the "Payments".

D. The Service has alleged that the interest on the Bonds is not excludable from gross income for Federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1954 because on September 1, 2006, more than 25% of the proceeds were used for a trade or business carried on by a person other than a governmental unit, and more than 25% of the payment of the principal or interest on the Bonds is to be derived from payments in respect of property used in a trade or business (i.e., the Holding Rent).

E. The Issuer has not admitted or conceded, and does not admit or concede, that the Service's determination is correct.

F. The Issuer and the Service desire to settle the issue that was raised in the examination of the Bonds.

G. The Service has not formally asserted any claims against the Issuer, nor has it sought to tax any holders of the Bonds on interest income on the Bonds.

H. The terms of the Agreement were arrived at by negotiation between the Issuer and the Service and may differ from the terms of settlement of other bond issues examined or to be examined by the Service.

I. The Bonds are currently outstanding in the aggregate principal amount of $20,830,000, and are subject to optional redemption beginning on March 1, 2010.

J. This Agreement is for the benefit of the past, present and future registered and beneficial owners of the Bonds (collectively, the "Bondholders").

NOW IT IS DETERMINED AND AGREED PURSUANT TO THIS CLOSING AGREEMENT EXECUTED BY THE PARTIES HERETO UNDER SECTION 7121 OF THE CODE THAT FOR FEDERAL INCOME TAX PURPOSES:

1. Simultaneously with the execution and delivery of the Agreement by the Issuer, the Issuer shall pay One Hundred Seventy Thousand Five Hundred Dollars ($170,500) (the "Settlement Amount") to the Service in settlement of the alleged violations set forth herein. Payment will be made by cashier's check or certified check payable to "**United States Treasury"** and delivered to a duly authorized representative of the Service. Payment of this amount shall not be made from proceeds of bonds described in section 103(a) of the Code.

2. The Issuer will redeem Twelve Million Nine Hundred Eighty Thousand ($12,980,000) of outstanding Bonds (the "Redeemed Bonds") on or before March 1, 2010. The Issuer shall not be required to take any action with respect to the remaining Seven Million Eight Hundred Fifty Thousand ($7,850,000) of Bonds (the "Remaining Bonds"). The Redeemed Bonds and the Remaining Bonds are shown on Exhibit A to this Agreement. The Redeemed Bonds will not be redeemed with proceeds of bonds described in section 103(a) of the Code.

3. Within 90 days after the date this Agreement is executed by the Service, the Issuer shall defease the Redeemed Bonds in accordance with paragraph 2 of this Agreement. The Issuer shall notify the holders of the Redeemed Bonds of the defeasance in accordance with the terms of the Redeemed Bonds. Documentation of this notice of defeasance shall be provided to the Service within 21 days after notice is given to Bondholders. Such notice shall be sent to Allyson Dodd, Tax-Exempt Bond Group Manager, Internal Revenue Service, 2001 Butterfield Road, Downers Grove, IL 60515, Attention: T:TEGE:G:TEB 7224.

4. Taking into account the matters in paragraphs 1, 2 and 3, the Payments will not be treated as payments in respect of property used in a trade or business with respect to the Remaining Bonds.

5. The Service will not seek to impose any additions to the tax, additional amounts or assessable penalties under the Code, or similar statute, as a result of the alleged violations set forth herein.

6. The Settlement Amount described in paragraph 1, or any portion thereof, shall not be treated as a deductible or amortizable expense, or subject to credit or offset under any circumstances, by the Issuer, the Lessees, or any other party for federal income tax purposes for any year.

7. The holders of the Bonds are not required (and will not be required) to include in their gross income any interest on the Bonds as a result of the alleged violations set forth herein.

8. This Agreement is executed with respect to a federal income tax liability of the Bondholders.

9. No income shall be recognized by any Bondholder as a result of this Agreement or any payments made pursuant to this Agreement.

10. No party shall endeavor by litigation or other means to attack the validity of this Agreement.

11. This Agreement may not be cited or relied upon by any person or entity whatsoever as precedent in the disposition of any other case.

12. Notwithstanding anything to the contrary contained herein, the Service may take any appropriate action with respect to the Bonds, including taxing the Bondholders on interest earned on the Bonds for violations other than those set forth herein and for violations arising after the effective date of this Agreement.

13. This Agreement is final and conclusive except that:

a. The matter it relates to may be reopened in the event of fraud, malfeasance, or misrepresentation of a material fact;

b. It is subject to the Internal Revenue Code sections that expressly provide that effect be given to their provisions (including any stated exception for section 7122 of the Code) notwithstanding any other law, rule of law; and

c. If it relates to a tax period ending after the effective date of this Agreement, it is subject to any law, enacted after the Agreement date that applies to that tax period.

14. The Issuer hereby consents to disclosure by the Service of information concerning the existence and subject matter of this Agreement to Members of Congress, the press and the general public:

a. in the event of a default by the Issuer on any terms in this Agreement; or

b. to the extent the Service deems necessary to correct any material misstatement with respect to this Agreement in response to a public statement by the Issuer or the Borrower or an agent thereof, but in no other event.

By signing, the above parties certify that they have read and agreed to the terms of this Agreement.

ISSUER:
City of Minneapolis, Minnesota
EIN: 41-6005375

BY:

NAME

TITLE

DATE

COMMISSIONER OF THE INTERNAL REVENUE SERVICE

BY:

Clifford J. Gannett

Director, Tax Exempt Bonds

TITLE

DATE

Exhibit A

Maturity Schedule--Redeemed Bonds and Remaining Bonds

Date	Redeemed Bonds	Remaining Bonds
03/01/08	$1,100,000	$750,000
03/01/09	$1,275,000	$755,000
03/01/10	$1,445,000	$775,000
03/01/11	$650,000	$790,000
03/01/12	$1,045,000	$840,000
03/01/13	$1,350,000	$895,000
03/01/14	$1,680,000	$950,000
03/01/15	$2,025,000	$1,015,000
03/01/16	$2,410,000	$1,080,000
Total	$12,980,000	$7,850,000