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Memo

DATE:	March 2, 2018	FROM:	Matthew R. Gillaspie Managing Director
TO:	New Hampton CSD	RE:	Bank Qualification

With respect to the upcoming sale of bonds, you need to be aware of an issue surrounding bank qualification.

Bank Qualification describes a special tax exemption granted to certain municipal securities whose issuers generally issue less than $10,000,000 in qualified tax exempt debt during a calendar year. Banks receive a tax deduction to own such municipal securities. In general, this designation produces lower interest rates for a municipal bond issuer than does a comparable municipal bond that is not bank qualified. As such, bank qualification is an important feature in providing for the lowest cost possible financing for a municipality.

We understand that you intend to designate the proposed bonds as bank qualified. If this understanding is true, then please understand that the official statement supporting the bonds will include a statement that the bonds are being designated (by you) as bank qualified, and the "Tax Matters" section of the official statement will contain a detailed description of the various portions of tax exemption associated with the proposed bonds, including the proposed bonds' bank qualified status. There are steps that you can take after you issue the Bonds that could impair the designation, including (direct or indirect) issuance of additional debt during the balance of the calendar year that causes total qualified tax-exempt debt to exceed the allowed threshold. Direct issuance could include borrowings, leases or other forms of debt that include an IRS tax-exempt filing. Indirect issuance could include borrowings by others of whom you are a member or owner (think 28E agreements or municipal utilities that have separate board of directors) where the IRS ascribes all or a portion of the issuance directly to the municipality in question. Please make sure that you understand the designation and the risks therein prior to approving the sale of the Bonds. Determining that a bond is bank qualified is not within our scope of service; the determination is one of a legal nature.

As discussed in separate correspondence, you are responsible for the accurate and full disclosure in the official statement. That responsibility covers all statements in the official statement, including the statement that the proposed bonds are bank qualified. If bond counsel is not giving you an opinion as to the bank qualified status of the bonds, and since determining that a particular issue is bank qualified is not within our scope of responsibility, this leaves you, the Issuer, liable for the accuracy of such statement.

We believe that most underwriters and bond purchasers take for granted that a bond counsel's opinion supports your designation that bonds designated as bank qualified.

In our role as financial advisor to you, we recommend that you instruct bond counsel to include in its opinion that the proposed bonds either (a) are bank qualified or (b) are designated bank qualified.