

RESOLUTION NO. 18

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY
OF A \$218,000 GENERAL OBLIGATION TEMPORARY DISPOSAL
SYSTEM BONDS, SERIES 2014A**

BE IT RESOLVED, by the Board of Supervisors (the "Board") of the Town of Dresbach, Winona County, Minnesota (the "Issuer"), as follows:

Section 1. Bond Purpose, Authorization, and Award.

1.01 Statutory Authority. Pursuant to authority contained in Minnesota Statutes, Sections 365A.08, 115.46, 444.075, and 475.61, Subdivision 6 and Chapter 475 (collectively, the "Act"), the Issuer is authorized to issue its general obligation temporary obligation for the purpose of providing funds for the temporary financing of a portion of the construction costs of a sewer system (the "Project") which is necessary for timely payment of anticipated expenditures from the Construction Account established herein.

1.02 Authorization. The Board does hereby direct the issuance and sale of a \$218,000 General Obligation Temporary Disposal System Bonds, Series 2014A of the Issuer dated as of the date and closing and delivery thereof (the "Bond"). The principal of and interest on the Bond shall be paid from permanent obligations issued by the Issuer to finance the Project (the "Permanent Obligations"), net revenues (the "Net Revenues") derived from the operation of the Issuer's sewer system (the "Utility") and ad valorem taxes levied or to be levied upon benefited property (the "Taxes"). Additionally, the Issuer is in the process of applying and anticipates approval of a loan by the United States of America, acting through the United States Department of Agriculture under the provisions of the Consolidated Farm and Rural Development Act and the Minnesota Public Facilities Authority (the "Anticipated Loan"). The proceeds of the Anticipated Loan shall constitute the Permanent Obligations and shall be used to pay principal and interest on the Bond. The Permanent Obligations, Net Revenues and the Taxes are collectively referred to herein as the "Pledged Revenues."

1.03 Municipal Advisor. The Issuer has retained the services of David Drown Associates, Inc., as its municipal advisor.

1.04 Award. The Issuer has received an offer from Pine Island Bank, in Pine Island, Minnesota (the "Purchaser"), to purchase the Bond at a cash price of par and upon condition that the Bond mature and bear interest at the times and annual rate set forth in Section 2. The Issuer, after due consideration, finds such offer reasonable and proper and the offer of the Purchaser is hereby accepted. All actions of the Chairperson and the Clerk-Treasurer, taken with regard to the sale of the Bond are hereby ratified and approved.

Section 2. Terms of the Bond.

2.01 Interest Rate and Principal Maturities. The Bond shall be dated the date of its closing and delivery as the date of original issue, shall be issued in the denomination equal to the

principal amount thereof, shall be issued in fully registered form and lettered and numbered R-1. The Bond shall bear interest at the annual rate of 2.30 percent and shall mature on September 20, 2017.

2.02 Prepayment. The Bond is prepayable at any time at a price of par plus accrued interest to the prepayment date; provided that if prepayment is prior to September 20, 2015, the redemption price shall also include a premium of 0.5% of the principal amount to be prepaid.

2.03 Interest Payment Dates.

A. The interest shall be payable semi-annually on March 20 and September 20 of each year (each referred to herein as an "Interest Payment Date") commencing on March 20, 2015. Interest will be computed upon the basis of a 360-day year of twelve 30-day months.

B. The Registrar designated below shall make all interest payments with respect to the Bond by check or draft mailed to the registered owner of the Bond shown on the Bond registration records maintained by the Registrar at the close of business on the 15th day (whether or not on a business day) of the month next preceding the Interest Payment Date at such owners' addresses shown on such Bond registration records.

2.04 Preparation and Execution.

A. The Bond shall be prepared for execution in accordance with the approved form and shall be signed by the manual signature of the Chairperson and attested by the manual signature of the Clerk-Treasurer. The corporate seal of the Issuer may be omitted from the Bond as permitted by law. In case any officer whose signature shall appear on the Bond shall cease to be an officer before delivery of the Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

B. The Clerk-Treasurer is authorized and directed to obtain a copy of the proposed approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, which is to be complete thereof and cause the opinion to be attached to the Bond.

2.05 Appointment of Registrar. The Board hereby appoints the Clerk-Treasurer, as registrar, authenticating agent, paying agent and transfer agent for the Bond (such bank or its successors is herein referred to as the "Registrar"). The Issuer reserves the right to name a substitute, successor Registrar upon giving prompt written notice to each registered bond holder.

2.06 Registered Owner. The Bond shall be registered in the name of the Purchaser.

2.07 Registration Provisions. The Issuer shall cause to be kept by the Registrar a bond register in which, subject to such reasonable regulations as the Registrar may prescribe, the Issuer shall provide for the registration of the Bond and the registration of transfers of the Bond entitled to be registered or transferred as herein provided. In the event of the resignation or

removal of the Registrar or its incapability of acting as such, the Bond registration records shall be maintained at the office of the successor Registrar as may be appointed by the Board.

2.08 Payment. The principal of and interest on the Bond shall be payable by the Registrar in such funds as are legal tender for the payment of debts due the United States of America. The Issuer shall pay the reasonable and customary charges of the Registrar for the disbursement of principal and interest.

2.09 Delivery. Delivery of the Bond and payment of the purchase price shall be made at a place mutually satisfactory to the Issuer and the Purchaser. Typewritten and executed Bond shall be furnished by the Issuer without cost to the Purchaser. The Bond, when prepared in accordance with this resolution and executed, shall be delivered by or under the direction of the Clerk-Treasurer to the Purchaser upon receipt of the purchase price plus accrued interest.

Section 3. Form of the Bond.

3.01 The Bond shall be printed or typewritten in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF WINONA

R-1 \$218,000

TOWN OF DRESBACH
GENERAL OBLIGATION TEMPORARY DISPOSAL SYSTEM BONDS,
SERIES 2014A

<u>Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
2.30%	September 20, 2017	September 20, 2014

REGISTERED OWNER: PINE ISLAND BANK

PRINCIPAL AMOUNT: TWO HUNDRED EIGHTEEN THOUSAND DOLLARS

The Town of Dresbach, Winona County, Minnesota (the "Issuer"), for value received, promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, and to pay interest on said principal amount to the registered owner hereof from date of original issue set forth above, or from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for, until the principal amount is paid, said interest being at the rate per annum specified above.

Interest is payable semi-annually on March 20 and September 20 of each year (each referred to herein as an "Interest Payment Date") commencing on

March 20, 2015. The Bond is payable as to principal on the maturity date set forth above. Payments shall be applied first to interest due on the outstanding principal balance and thereafter to reduction of the principal balance.

Both principal hereof and interest hereon are payable in lawful money of the United States of America by check or draft at the main office of the Clerk-Treasurer, as Registrar, authenticating agent, paying agent and transfer agent (the "Registrar"), or at the office of such successor Registrar as may be designated by the governing body of the Issuer. The Registrar shall make all payments with respect to the Bond directly to the registered owner hereof shown on the Bond registration records maintained on behalf of the Issuer by the Registrar at the close of business on the 15th day of the month next preceding the Interest Payment Date (whether or not a business day) at such owner's address shown on said Bond registration records, without, except for payment of principal of the Bond, the presentation or surrender of the Bond, and all such payments shall discharge the obligation of the Issuer to the extent of the payments so made. Payment of principal shall be made upon presentation and surrender of the Bond to the Registrar when due.

The Bond comprises the entire series issued by the Issuer in the aggregate amount of \$218,000 pursuant to the authority contained in Minnesota Statutes, Sections 365A.08, 115.46, 444.075 and 475.61, Subdivision 6, Chapter 475 and all other laws thereunto enabling, and pursuant to an authorizing resolution adopted by the governing body of the Issuer on September 2, 2014 (the "Resolution"), for the purpose of providing funds for the temporary financing of a portion of the construction costs of improvements to the Issuer's sewer system (the "Utility"). The principal of and interest on the Bond shall be paid from permanent obligations issued by the Issuer to finance the Project (the "Permanent Obligations"), net revenues (the "Net Revenues") and ad valorem taxes levied or to be levied upon benefited property (the "Taxes") derived from the operation of the Utility in excess of normal, reasonable and current costs of the operation and maintenance of the Utility. Additionally, the Issuer is in the process of applying and anticipates approval of a loan by the United States of America, acting through the United States Department of Agriculture under the provisions of the Consolidated Farm and Rural Development Act and the Minnesota Public Facilities Authority (the "Anticipated Loan"). The proceeds of the Anticipated Loan shall constitute the Permanent Obligations and shall be used to pay principal and interest on the Bond. The Permanent Obligations, Net Revenues and the Taxes are collectively referred to herein as the "Pledged Revenues."

In the Resolution the Issuer has covenanted and agreed that if the Bond cannot be paid at maturity from the Pledged Revenues or from other funds appropriated by the governing body of the Issuer, the Bond will be paid from the proceeds of additional definitive obligations which will be issued and sold prior to the maturity date of the Bond or exchanged for definitive obligations secured in the manner provided in Minnesota Statutes, Section 475.61, Subdivision 1, as set

forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

The Issuer has further covenanted and agreed that it will impose and collect just and equitable charges for all use and for the availability of all facilities of the sewer system at the times and in the amounts required to pay the normal, reasonable and current expenses of operating and maintaining the system, and also to produce Net Revenues, which along with the Anticipated Loan and Permanent Obligations will be at least adequate at all times to pay the principal and interest due on the Bond.

For the prompt and full payment of such principal and interest as they become due, the full faith and credit and taxing power of the Issuer are irrevocably pledged. The Issuer has designated the Bond as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bond is prepayable at any time at a price of par plus accrued interest to the prepayment date; provided that if prepayment is prior to September 20, 2015, the redemption price shall also include a premium of 0.5% of the principal amount to be prepaid

IT IS CERTIFIED AND RECITED that all acts and conditions required by the laws and the Constitution of the State of Minnesota to be done and to exist precedent to and in the issuance of the Bond, in order to make it a valid and binding general obligation of the Issuer in accordance with its terms, have been done and do exist in form, time and manner as so required; that all taxable property within the limits of the Issuer is subject to the levy of ad valorem taxes to the extent needed to pay the principal hereof and the interest hereon when due, without limitation as to rate or amount and that the issuance of the Bond does not cause the indebtedness of the Issuer to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Town of Dresbach, Winona County, Minnesota, by its governing body, has caused the Bond to be executed in its name by the signature of the Chairperson and attested by the signature of the Clerk-Treasurer.

ATTEST:

(form no signature)
Clerk-Treasurer

(form no signature)
Chairperson

REGISTRATION CERTIFICATE

The Bond must be registered as to both principal and interest in the name of the owner on the books to be kept by Clerk-Treasurer of the Town of Dresbach, Minnesota, as Registrar. No transfer of the Bond shall be valid unless made on said books by the registered owner or the owner's attorney thereunto duly authorized and similarly noted on the registration books. The ownership of the unpaid principal balance of the Bond and the interest accruing thereon is registered on the books of the Town of Dresbach, Minnesota in the name of the registered owner last noted below.

<u>Date</u>	<u>Registered Owner</u>	<u>Signature of Clerk-Treasurer</u>
9/20/14	Pine Island Bank 128 South Main Street P.O. Box 68 Pine Island, MN 55963 Federal Tax I.D. No.: 41-0531840	<u>(form no signature)</u>

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Name and Address of Assignee)

Social Security or Other
Identifying Number of Assignee

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

(Bank, Trust Company, member of
National Securities Exchange)

Section 4. Covenants, Accounts and Tax Levies.

4.01 Covenants. The Issuer covenants and agrees with the holder of the Bond and with its taxpayers that it will establish the Utility and impose and collect just and equitable charges for all use and for the availability of all facilities of the Utility at the times and in the amounts required to pay the normal, reasonable, and current expenses of operating and maintaining the Utility, and also to produce Net Revenues which, along with the Anticipated Loan, Permanent Obligations and the Taxes will be at least adequate at all times to pay the principal and interest due on the Bond and on all other obligations heretofore or hereafter issued and made payable from said Net Revenues, and will operate the Utility and segregate and account for the revenues thereof as provided in this section.

4.02 Funds, Accounts, Appropriations and Revenues.

A. Utility Fund. The Issuer will place all such charges, when collected, and all money received from the sale of any facilities or equipment of the Utility in a separate bookkeeping account for the Utility, referred to herein as the "Utility Fund" or the "Fund". Except as provided in this Section, this account shall be used only to pay claims duly approved and allowed for payment of expenses which, under generally accepted accounting principles, constitute normal, reasonable, and current expenses of operating and maintaining the Utility, and to maintain such reasonable reserves for such expenses as the Board shall determine to be necessary from time to time. Sums required to make such payments and maintain such reserves, constitute the Net Revenues which are herein pledged and appropriated first to pay the principal of and interest when due on the Bond. There shall be created in the Fund two separate accounts to be identified as the "2014 Disposal System Program Project Account" (the "Project Account") and the "2014 Disposal System Bond Debt Service Account" (the "Debt Service Fund")

B. Project Account. On receipt of the purchase price of the Bond, the Issuer shall credit proceeds from the sale of the Bond, less any accrued interest paid by the Purchaser upon closing and delivery of the Bond (the "Accrued Interest") and less any capitalized interest funded

from the proceeds of the Bond (the “Capitalized Interest”), to the Project Account. Proceeds from the Bond on deposit in the Project Account, along with other monies of the Issuer available therefor, shall be used from time to time to pay, or reimburse the Issuer for payment of, the capital costs of the Project and costs of legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Bond, as such become due.

C. Debt Service Fund. There are irrevocably appropriated and pledged to the Debt Service Fund \$11,695 of the Issuer’s general funds, the Capitalized Interest and Accrued Interest. There is hereby pledged and appropriated and there shall be credited to the Debt Service Fund: the Pledged Revenues and interest earnings on the foregoing in the amount necessary to pay principal of and interest on the Bond. Prior to each Interest Payment Date, the Clerk-Treasurer shall transfer from the Fund to the Debt Service Fund amounts of Net Revenue, which will be sufficient, along with the other Pledged Revenues for the payment of all interest and principal then due on the Bond. The money in the Debt Service Fund shall be used for no purpose other than the payment of principal and interest on the Bond when due.

D. Surplus Revenues. Surplus utility revenues from time to time received in the Fund, in excess of payments due from and reserves required to be maintained in the Fund and in the Debt Service Fund, may be used for necessary capital expenditures for the improvement of the Utility, for the prepayment and redemption of Bond constituting a lien on the Utility, and for any other proper municipal purpose consistent with policies established by resolution of the Board.

E. Investments. Monies on deposit in the Project Account and in the Debt Service Fund may, at the discretion of the Issuer, be invested in securities permitted by Minnesota Statutes, Chapter 118A; provided, that any such investments shall mature at such times and in such amounts as will permit for payment of the principal and interest on the Bond when due.

4.03 Tax Levy. A. For the prompt and full payment of the principal and interest on the Bond when due, the full faith and credit and taxing power of the Issuer are irrevocably pledged. There is levied a direct annual ad valorem tax upon all taxable property in the Issuer which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the Issuer. Said levies are for the years and in the amounts set forth below:

<u>Levy Year</u>	<u>Collection Year</u>	<u>Amount</u>
2014	2015	\$5,032
2015	2016	\$5,032
2016	2017	\$2,516

B. The Pledged Revenues are such that if collected in full they, together with estimated collections of investment earnings and other funds herein pledged and appropriated for payment of the Bond, will produce at least 5% in excess of the amount needed to meet when due the principal and interest payments on the Bond.

C. The tax levies shall be irrevocable so long as the Bond is outstanding and unpaid; provided, however, that on November 30 of each year, while any Bond issued hereunder remains

outstanding, the Issuer shall reduce or cancel the above levies to the extent of funds available in the Debt Service Account to pay principal and interest due during the ensuing year, and shall direct the County Auditor to reduce the levy for such calendar year by that amount.

4.04 Definitive Bonds. In accordance with its statutory duties under Minnesota Statutes, Section 475.61, Subdivision 6, the Issuer covenants and agrees with the holders of the Bond that if the Bond cannot be paid at maturity from the Pledged Revenues or from other funds appropriated by the Issuer, the Bond will be paid from the proceeds of additional definitive obligations which will be issued and sold prior to the maturity date of the Bond or exchanged for definitive obligations secured in the manner provided in Minnesota Statutes, Section 475.61, Subdivision 1.

4.05 General Obligation. It is recognized, however, that the Issuer's liability on the Bond is not limited to the Pledged Revenues and other appropriated funds so pledged, and the Issuer covenants and agrees that it will levy upon all taxable property within the Issuer, and cause to be extended, assessed, and collected, any taxes found necessary for full payment of the principal of and interest on the Bond and any definitive obligations, without limitation as to rate or amount.

Section 5. Tax Covenants.

5.01 A. The Issuer covenants and agrees with the holders of the Bond that the Issuer will (i) take all action on its part necessary to cause the interest on the Bond to be exempt from federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bond and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Bond to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Bond and investment earnings thereon on certain specified purposes.

B. For purposes of qualifying for the small issuer exception to the federal arbitrage rebate requirements, the Issuer hereby finds, determines and declares that the aggregate face amount of the tax exempt obligations (other than private activity Bond) issued by the Issuer (and all subordinate entities of the Issuer) during the calendar year in which the Bond is issued is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended (the "Code").

C. In order to qualify the Bond as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the Issuer hereby makes the following factual statements and representations:

(i) the Bond is not "private activity bonds" as defined in Section 141 of the Code;

(ii) the Issuer hereby designates the Bond as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;

(iii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the Issuer (and all entities whose obligations will be aggregated with those of the Issuer) during the calendar year in which the Bond is being issued will not exceed \$10,000,000; and

(iv) not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Bond is being issued have been designated for purposes of Section 265(b)(3) of the Code.

Section 6. Certificate of Proceedings; Miscellaneous.

6.01 The Clerk-Treasurer or their designee is directed to file with the Winona County Auditor a certified copy of the resolution and such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Bond herein authorized have been duly entered on the County Auditor register.

6.02 The officers of the Issuer are authorized and directed to prepare and furnish to the Purchaser of the Bond and to bond counsel for the Bond certified copies of all proceedings and records of the Issuer relating to the authorization and issuance of the Bond and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Bond as such facts appear from the official books and records of the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the Issuer as to the correctness of facts recited therein and the actions stated therein to have been taken.

6.03 In the event of the absence or disability of the Chairperson, the Clerk-Treasurer, or such officers or members of the Board as in the opinion of the Issuer's attorney, may act in their behalf, shall without further act or authorization, execute and deliver the Bond, and do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers.

6.04 No official statement or prospectus has been prepared or circulated by the Issuer in connection with the sale of the Bond and the Purchaser has made its own investigation concerning the Issuer as set forth in a purchaser's certificate.

Section 7. Post-Issuance Compliance Policy and Procedures. The Issuer has been provided with a Pre- and Post-Issuance Compliance Policy and Procedures which shall apply to qualifying obligations to provide for compliance with all applicable federal regulations for tax-exempt obligations or tax-advantaged obligations (collectively, the "Policy and Procedures"). The Issuer hereby approves the Policy and Procedures which have been presented to the Issuer. The Clerk-Treasurer is designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.