

**RESOLUTION NO. 17-14**

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY  
OF A \$100,000 GENERAL OBLIGATION IMPROVEMENT NOTE,  
SERIES 2017A**

BE IT RESOLVED, by the City Council (the "City Council") of the City of Oronoco, Olmsted County, Minnesota (the "Issuer"), as follows:

Section 1. Note Purpose, Authorization, and Award.

1.01 Authority; Purpose. A. Pursuant to authority contained in Minnesota Statutes, Chapters 429 and 475, the Issuer does hereby direct the issuance and sale of a General Obligation Improvement Note, Series 2017A in the aggregate principal amount of \$100,000 (the "Note"), for the purpose of financing a road improvement project (the "Project"), for payment of part of the interest costs of the Note and for payment of part of the issuance costs of the Note.

B. The principal of and interest on the Note shall be paid primarily from special assessments levied or to be levied upon benefited property (the "Special Assessments") and ad valorem taxes levied in this resolution (the "Taxes"). The Project is hereby ordered as required by Minnesota Statutes, Section 429.091, Subdivision 1.

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

1.03 Award of Sale. The Issuer has received a proposal for a loan to be evidenced by the Note from the Pine Island Bank, located in Pine Island, Minnesota (the "Lender"), in the amount of \$100,000 to pay costs of the Project, upon condition that the Note matures and bears interest at the times and annual rates set forth in Section 2. The Issuer, after due consideration, finds such offer reasonable and proper and the offer of the Lender is accepted. All actions of the Mayor and the Clerk-Treasurer taken with regard to the sale of the Note are ratified and approved.

Section 2. Terms of the Note.

2.01. Interest Rate and Principal Maturities. The Note 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 Note shall bear interest at the annual rate of 2.65 percent and shall on the dates and in the installment amounts shown below:

<u>Date</u>	<u>Principal Amount</u>
2/1/2019	\$12,000
2/1/2020	\$13,000
2/1/2021	\$14,000
2/1/2022	\$14,000

<u>Date</u>	<u>Principal Amount</u>
2/1/2023	\$15,000
2/1/2024	\$16,000
2/1/2025	\$16,000

2.02 Prepayment. The Note is prepayable, in whole or in part, on any Interest Payment Date without notice at a price of par plus accrued interest to the prepayment date, plus a \$200 processing fee; provided that prepayment before February 1, 2019 shall also include a premium of 0.5% of the principal amount to be prepaid.

2.03 Interest Payment Dates. A. The interest on the Note shall be payable semiannually on February 1 and August 1 of each year (each referred to herein as an “Interest Payment Date”), commencing on August 1, 2018. 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 Note by check or draft mailed to the registered owner of the Note 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 Note shall be prepared for execution in accordance with the approved form and shall be signed by the manual signature of the Mayor and attested by the manual signature of the Clerk-Treasurer. The corporate seal of the Issuer may be omitted from the Note as permitted by law. In case any officer whose signature shall appear on the Note shall cease to be an officer before delivery of the Note, 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 and cause the opinion to be attached to the Note.

2.05 Registrar. The Issuer hereby appoints the Clerk-Treasurer, as registrar, authenticating agent, paying agent and transfer agent for the Note (the “Registrar”). The Issuer reserves the right to name a substitute, successor Registrar upon giving prompt written notice to each registered Note holder.

2.06 Registered Owner. The Note shall be registered in the name of the Lender.

2.07 Note Register. 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 Note and the registration of transfers of the Note 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 Issuer.

2.08 Payment. A. The Issuer and the Registrar may treat the person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Issuer nor the Registrar shall be affected by notice to the contrary.

B. The principal of and interest on the Note 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 Note and payment of the purchase price shall be made at a place mutually satisfactory to the Issuer and the Lender. A typewritten and executed Note shall be furnished by the Issuer without cost to the Lender. The Note, when prepared in accordance with this resolution and executed, shall be delivered by or under the direction of the Clerk-Treasurer to the Lender upon receipt of the purchase price plus accrued interest.

Section 3. Form of the Note.

3.01 The Note shall be typewritten in substantially the following form:

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF OLMSTED

R-1

\$100,000

CITY OF ORONOCO  
GENERAL OBLIGATION IMPROVEMENT NOTE,  
SERIES 2017A

<u>Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
2.65%	February 1, 2025	_____, 2017

REGISTERED OWNER: PINE ISLAND BANK

PRINCIPAL AMOUNT: ONE HUNDRED THOUSAND DOLLARS

The City of Oronoco, Olmsted 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 the 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 February 1 and August 1 of each year (each referred to herein as an “Interest Payment Date”) commencing on August 1, 2018. Interest will be computed upon the basis of a 360-day year of twelve 30-day months. The Note is payable in the principal installment amounts and at the times described below. Payments shall be applied first to interest due on the outstanding principal balance and thereafter to reduction of the principal balance.

<u>Date</u>	<u>Principal Amount</u>
2/1/2019	\$12,000
2/1/2020	\$13,000
2/1/2021	\$14,000
2/1/2022	\$14,000
2/1/2023	\$15,000
2/1/2024	\$16,000
2/1/2025	\$16,000

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 this 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 final payment of principal of the Note, the presentation or surrender of the Note, and all such payments shall discharge the obligation of the Issuer to the extent of the payments so made. The final payment of principal of the Note shall be made upon presentation and surrender of the Note to the Registrar when due.

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 Note as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Note comprises the entire amount of this series issued by the Issuer as one fully registered Note without coupons, in the aggregate amount of \$100,000, pursuant to the authority contained in Minnesota Statutes, Chapters 429 and 475 and all other laws thereunto enabling, and pursuant to an authorizing resolution adopted by the governing body of the Issuer on July 18, 2017 (the “Resolution”), for the purpose of financing a road improvement project of the Issuer. Principal of and interest on the Note is payable primarily from special assessments levied upon benefited property and ad valorem taxes as set forth in the Resolution to

which reference is made for a full statement of rights and powers thereby conferred.

The Note is prepayable, in whole or in part, on any Interest Payment Date without notice at a price of par plus accrued interest to the prepayment date, plus a \$200 processing fee; provided that prepayment before February 1, 2019 shall also include a premium of 0.5% of the principal amount to be prepaid.

The principal amount evidenced by this Note was drawn upon by Issuer in accordance with the Loan Agreement between Issuer and Lender dated as of the date of the date hereof.

The Issuer will, at the request of the registered owner, issue one new fully registered note in the name of the registered owner in the aggregate principal amount equal to the unpaid principal balance of this Note, of like tenor except as to number and principal amount. This Note is transferable by the registered owner hereof upon surrender of this Note for transfer at the principal corporate office of the Registrar, duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar and executed by the registered owner hereof or the owner's attorney duly authorized in writing. Thereupon the Issuer shall execute and the Registrar shall authenticate, if required by law or the Resolution, and deliver, in exchange for this Note, one new fully registered note in the name of the transferee, in an aggregate principal amount equal to the unpaid principal amount of this Note, of the same maturity, and bearing interest at the same rate. No service charge shall be made for any transfer or exchange hereinbefore referred to, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

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 this Note, 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 this Note does not cause the indebtedness of the Issuer to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Oronoco, Olmsted County, Minnesota, by its governing body, has caused this Note to be executed in its name by the manual signature of the Mayor and attested by the manual signature of the Clerk-Treasurer as of the date of original issue set forth above.

ATTEST:

(form – no signature required)  
Clerk-Treasurer

(form – no signature required)  
Mayor

REGISTRATION CERTIFICATE

This Note 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 Issuer, as Registrar. No transfer of this Note 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 this Note and the interest accruing thereon is registered on the books of the Issuer in the name of the registered owner last noted below.

<u>Date</u>	<u>Registered Owner</u>	<u>Signature of Clerk-Treasurer</u>
	Pine Island Bank	
	128 South Main Street	
8/____/2017	P.O. Box 68	<u>(form no signature required)</u>
	Pine Island, MN 55963	
	Federal Tax I.D. No.:	
	41-0531840	

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

Dated: \_\_\_\_\_

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

Signature Guaranteed:

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

THIS INSTRUMENT HAS NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF FOR VALUE, OR TRANSFERRED, WITHOUT (i) AN OPINION OF COUNSEL THAT SUCH SALE, DISPOSITION OR TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED AND UNDER APPLICABLE STATE SECURITIES LAWS, OR (ii) SUCH REGISTRATION. THE TRANSFERABILITY OF THIS INSTRUMENT IS SUBJECT TO RESTRICTIONS REQUIRED BY (1) FEDERAL AND STATE SECURITIES LAWS GOVERNING UNREGISTERED SECURITIES; AND (2) THE RULES, REGULATIONS, AND INTERPRETATIONS OF THE GOVERNMENTAL AGENCIES ADMINISTERING SUCH LAWS. THIS INSTRUMENT HAS NOT BEEN REGISTERED UNDER CHAPTER 80A OF MINNESOTA STATUTES OR OTHER APPLICABLE STATE BLUE SKY LAWS AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF FOR VALUE EXCEPT PURSUANT TO REGISTRATION OR OPERATION OF LAW.

Section 4. Covenants, Funds and Tax Levies.

4.01 Covenants. It is hereby determined that the Project will directly and indirectly benefit abutting property, and the Issuer hereby covenants with the holders from time to time of the Note as follows:

A. The Issuer has caused or will cause the Special Assessments to be promptly levied so that the first installment will be collectible no later than 2018 and will take all steps necessary to assure prompt collection, and the levy of the Special Assessments is hereby authorized. The Issuer will cause all further actions and

proceedings to be taken with due diligence that are required for the construction of the Project financed wholly or partly from the proceeds of the Note, and for the final and valid levy of the Special Assessments and the appropriation of any other funds needed to pay the Note and interest thereon when due.

B. It is recognized that the Issuer's liability on the Note is not limited to the Special Assessments and ad valorem taxes pledged herein (the "Pledged Revenues"), and the Issuer covenants and agrees that in the event of any current or anticipated deficiency in Pledged Revenues, it will levy upon all taxable property within the Issuer and cause to be extended, assessed, and collected, any additional taxes found necessary for full payment of the principal of and interest on the Note, without limitation as to rate or amount.

C. The Issuer will keep complete and accurate books and records showing receipts and disbursements in connection with the improvements and Special Assessments levied therefor and other funds appropriated for their payment, collections and disbursements thereof, monies on hand and the balance of unpaid Special Assessments.

D. The Issuer will cause its books and records to be audited and will furnish copies of such audit reports to any interested person upon request.

E. The Issuer covenants and agrees with the holders of the Note and with its taxpayers that it will assess against benefited property not less than 20% of the cost of the Project financed wholly or partly from the proceeds of the Note.

4.02 The Fund. There is created a special fund to be designated the "2017A Improvement Program Fund" (the "Fund") to be administered and maintained by the Clerk-Treasurer as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Fund shall be maintained in the manner herein specified until the Note and interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate accounts, to be designated the "Construction Fund" and "Debt Service Fund," respectively:

A. *Construction Fund.* On receipt of the purchase price of the Note, the Issuer shall credit proceeds from the sale of the Note less the amount used to pay part of the interest cost of the issue as allowed by Minnesota Statutes, Section 475.56 (the "Additional Interest"), less amounts allocated to accrued interest paid by the Lender upon closing and delivery of the Note (the "Accrued Interest") and less amounts allocated to capitalized interest ("Capitalized Interest") if any, to the Construction Fund. The monies in such account, along with other monies of the Issuer available therefor, shall be used to pay construction costs of the Project. Other costs for which payment from such fund is authorized shall include costs of legal, financial advisory, and other professional services, printing and publication costs, interest coming due on the Note during construction of the Project and costs of issuance of the Note. Any funds remaining in the Construction Fund after completion of the Project and payment in full of costs thereof shall be transferred to the Debt Service Fund.

B. *Debt Service Fund.* There are pledged and appropriated to the Debt Service Fund: (a) Accrued Interest, (b) Capitalized Interest, if any, (c) Additional Interest; (d) the Special Assessments (e) the Taxes, (f) any funds remaining in the Construction Fund after completion of the Project, and (g) any and all other monies which are properly available and are appropriated by the governing body of the Issuer, and interest earnings on the foregoing. The money in such fund shall be used for no purpose other than the payment of principal and interest on the Note; provided, however, that if any payment of principal or interest shall become due when there is not sufficient money in the Debt Service Fund, the Clerk-Treasurer shall pay the same from any other fund of the Issuer, which fund shall be reimbursed from the Debt Service Fund when the balance therein is sufficient.

4.03 Tax Levy. A. For the prompt and full payment of the principal and interest on the Note 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>
2017	2018	\$12,440
2018	2019	\$11,765
2019	2020	\$12,453
2020	2021	\$12,064
2021	2022	\$12,724
2022	2023	\$13,356
2023	2024	\$12,911

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

C. The tax levies shall be irrevocable so long as the Note is outstanding and unpaid; provided, however, that on November 30 of each year, while any Note issued hereunder remains outstanding, the Issuer shall reduce or cancel the above levies to the extent of funds available in the Debt Service Fund 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 Investments. Monies on deposit in the Construction Fund and in the Debt Service Fund may, at the discretion of the Clerk-Treasurer, 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 Project costs and/or payment of the principal and interest on the Note when due.

Section 5. Tax Covenants.

5.01 General. The Issuer covenants and agrees with the holders of the Note that the Issuer will (i) take all action on its part necessary to cause the interest on the Note 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 Note 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 Note to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Note and investment earnings thereon on certain specified purposes.

5.02 Small-Issuer Rebate Exception. For purposes of qualifying for the small issuer exception to the federal arbitrage rebate requirements, the Issuer finds, determines and declares:

- (a) the Issuer is a governmental unit with general taxing powers;
- (b) the Note is not a “private activity bond” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”);
- (c) 95% or more of the net proceeds of the Note is to be used for local governmental activities of the Issuer; and
- (d) the aggregate face amount of the tax exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Note is issued is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

5.03 Bank Qualification. In order to qualify the Note as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code, the Issuer hereby makes the following factual statements and representations:

- A. the Note is not a “private activity bond” as defined in Section 141 of the Code;
- B. the Issuer hereby designates the Note as a “qualified tax exempt obligation” for purposes of Section 265(b)(3) of the Code;
- C. 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 Note is being issued will not exceed \$10,000,000; and
- D. not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Note is being issued have been designated for purposes of Section 265(b)(3) of the Code.

The Issuer shall use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designation made by this Section.

Section 6. Certificate of Proceedings; Miscellaneous.

6.01 The Clerk-Treasurer is directed to file with the County Auditor an original or certified copy of this resolution and such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Note herein authorized has been duly entered on the County Auditor's register.

6.02 The officers of the Issuer are authorized and directed to prepare and furnish to the Lender of the Note and to bond counsel certified copies of all proceedings and records of the Issuer relating to the authorization and issuance of the Note and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Note 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 No official statement or prospectus has been prepared or circulated by the Issuer in connection with the sale of the Certificate and the Lender has made its own investigation concerning the Issuer as set forth in an investment letter dated the date hereof.

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

Section 7. Loan Agreement. The proceeds of the Note will be advanced to the Issuer in accordance with the terms of this Resolution and with a Loan Agreement between the Issuer and the Lender (the "Loan Agreement"). The Mayor and Clerk-Treasurer of the Issuer are hereby authorized and directed to execute the Loan Agreement substantially in the form currently on file in the office of the Issuer.

Section 8. Pre- and Post-Issuance Compliance Policy and Procedures. The Issuer has previously approved a Pre- and Post-Issuance Compliance Policy and Procedures which applies 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 ratifies the Policy and Procedures for the Bonds. The Clerk-Treasurer continues to be designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.

Adopted: July 18, 2017

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Clerk-Treasurer

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**EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL FOR THE  
CITY OF ORONOCO, MINNESOTA  
HELD: July 18, 2017**

Pursuant to due call and notice thereof, a meeting of the City Council of the City of Oronoco, Olmsted County, Minnesota, was duly held at City Hall on July 18, 2017, at 7:30 P.M.

The following members were present:

Mayor Ryland Eichhorst, Councilor Trish Shields, Councilor Beau Hanenberger, Councilor Carl Krause, and Councilor Nancy Quimby

and the following were absent:

None

Member Carl Krause introduced the following resolution and moved its adoption:

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY  
OF A \$100,000 GENERAL OBLIGATION IMPROVEMENT NOTE,  
SERIES 2017A**

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

All

and the following voted against the same:

None

Whereupon the resolution was declared duly passed and adopted.