

RESOLUTION NO. 10:04-22

RESOLUTION AUTHORIZING THE SALE, ISSUANCE AND
DELIVERY OF \$250,000 TEMPORARY GENERAL OBLIGATION TAX
ABATEMENT NOTE, SERIES 2022A

BE IT RESOLVED, by the City Council (the "City Council") of the City of East Gull Lake, Cass County, Minnesota (the "Issuer"), as follows:

Section 1. Bond Purpose and Authorization.

1.01 Authority. Pursuant to authority contained in Minnesota Statutes, Sections 469.1812 through 469.1815 (the "Abatement Act") and Section 475.61, Subdivisions 5 and 6, Chapter 475, the Issuer is authorized to issue its general obligation notes for the purpose of financing a portion of the costs associated with improvements of various roads, trails and bridges, which improvements will benefit certain property in the City (the "Project").

1.02 Abatement Recitals. The Issuer has previously granted a property tax abatement pursuant to the Abatement Act and the *Resolution Approving Property Tax Abatement Related to Various Road, Trail & Bridge Improvements*, adopted on October 4, 2022 which is hereby incorporated as though set forth herein (the "Abatement Resolution"). The Abatement Resolution authorizes an abatement of the Issuer's share of property taxes on the parcels listed in the Abatement Resolution in an amount not to exceed \$250,000 total over 15 years commencing with real estate taxes payable in 2024 and continuing through 2039 (the "Abatement").

1.03 Authorization of Note.

A. Pursuant to the authority contained in the Abatement Act and Minnesota Statutes, Chapters 469 and 475, the Issuer determines that it is necessary and expedient to issue a \$250,000 Temporary General Obligation Tax Abatement Note, Series 2022A (the "Note") to provide funds for the Project.

B. The principal and interest on the Note are equal to the part of the property tax amount payable to the Issuer on the Project during the term of the Abatement, which is presently estimated to be not more than \$250,000 (the "Abatement"). The total amount of property taxes abated by the Issuer in any year does not exceed the greater of (1) ten percent of the net tax capacity of the Issuer, or (2) \$200,000. Work on the Project shall proceed with due diligence to completion. The principal of and interest on the Note shall be paid primarily from proceeds of the Note and long-term definitive bonds or additional temporary obligations with the Issuer shall offer for sale in advance of the maturity of the Note (the "Permanent Obligations").

1.04 Municipal Advisor. The Issuer has retained David Drown Associates, Inc., as its municipal advisor, to assist the Issuer with the Project and the issuance of the Note.

1.05 Sale of the Note. The Issuer has received a proposal for a loan to be evidenced by the Note from Bank of Zumbrota, located in Zumbrota, Minnesota (the "Lender"), to in the

amount of \$250,000, plus accrued interest on the total principal amount to the date of delivery of the Note, upon condition that the Note 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 Lender is accepted. The Mayor and the Administrator are authorized to execute on the part of the Issuer a contract for the sale of the Note in accordance with the Lender's proposal.

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 3.15 percent and shall mature on November 1, 2025 (the "Maturity Date"). The Note shall be payable as to principal on the Maturity Date.

2.02 Prepayment. The Note is prepayable, in whole or in part, at any time, at a price of par plus accrued interest to the prepayment date.

2.03 Interest Payment Dates. A. Interest on the Note shall be payable semi-annually on May 1 and November 1 in each year (each referred to herein as an "Interest Payment Date"), commencing on May 1, 2023. Interest will be computed upon the basis of a 360-day year of twelve 30-day month.

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

2.04 Preparation. 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 Administrator. 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 Administrator 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 Note.

2.05 Appointment Registrar. The City Council hereby appoints the Administrator as registrar, authenticating agent, paying agent and transfer agent for the Note (the "Registrar"). No Note shall be valid or obligatory for any purpose unless or until the Note has been executed by the manual signature of at least one officer of the Issuer or the Registrar's Authentication Certificate on such Note, substantially set forth in this resolution, shall have been duly executed by an authorized representative of the Registrar. Authentication certificates on different bonds need not be signed by the same representative. The executed Authentication Certificate or

manual signature of an officer of the Issuer on the Note shall be conclusive evidence that it has been authenticated and delivered under this Resolution.

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

2.07 Register. The Issuer shall cause to be kept by the Registrar a note 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 Note registration records shall be maintained at the office of the successor Registrar as may be appointed by the City Council.

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. The printed and executed Bond 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 Administrator to the Lender thereof upon receipt of the purchase price plus accrued interest.

Section 3. Form of Note. The Note shall be typewritten or printed in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF CASS

R-1

\$250,000

CITY OF EAST GULL LAKE
TEMPORARY GENERAL OBLIGATION TAX ABATEMENT NOTE,
SERIES 2022A

Rate
3.15%

Maturity Date
November 1, 2025

Date of Original Issue
November 1, 2022

REGISTERED OWNER:

BANK OF ZUMBROTA

PRINCIPAL AMOUNT: TWO HUNDRED FIFTY THOUSAND DOLLARS

The City of East Gull Lake, Cass 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 to which interest has been paid or duly provided for, said interest being at the rate per annum specified above.

Interest is payable semi-annually on May 1 and November 1 of each year (each referred to herein as an "Interest Payment Date") commencing on May 1, 2023. This Note 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 of and interest hereon are payable in lawful money of the United States of America by check or draft at the office of the Clerk-Treasurer, as Registrar, paying agent, transfer agent and authenticating agent (the "Registrar"), or at the office of such successor Registrar as may be designated by the City Council. The Registrar shall make all interest 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 (whether or not a business day) of the month next preceding the Interest Payment Date at such owner's address shown on said bond registration records, without, except for payment of principal on the Note, the presentation or surrender of this Note, and all such payments shall discharge the obligations of the Issuer to the extent of the payments so made. Payment of the final principal payment shall be made upon presentation and surrender of this 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 coupon, in the aggregate amount of \$250,000, pursuant to the authority contained in Minnesota Statutes, Sections 469.1812 through 469.1815 and Section 475.61, Subdivisions 5 and 6, Chapter 475, and all other laws thereunto enabling, and pursuant to a resolution adopted by the governing body of the Issuer on October 4, 2022 (the "Resolution"), for the purpose of financing a portion of the costs associated with improvements of various roads, trails and bridges, which improvements will benefit certain property in the City (the "Project") and for payment of part of the interest cost of said note issue and costs of issuance. The principal hereof and interest hereon are payable from an abatement of taxes imposed by the Issuer on certain property and ad valorem taxes pledged in the Resolution to which reference is made for a full

statement of rights and powers thereby conferred, and from the proceeds of permanent bonds or additional temporary bonds which the Issuer shall offer for sale in advance of the maturity of this Note (the "Permanent Obligations") (such abatement of taxes and pledge of ad valorem taxes and the pledge of proceeds from the Permanent Obligations, the "Pledged Revenues").

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

The Note is prepayable, in whole or in part, at any time, at a price of par plus accrued interest to the prepayment date.

In the Resolution the Issuer has covenanted and agreed that if this Note cannot be paid at maturity from the Pledged Revenues or from other funds appropriated by the governing body of the Issuer, this Note will be paid from the proceeds of additional definitive obligations which will be issued and sold prior to the maturity date of this Note. The holder of this Note shall have and may enforce, by mandamus or other appropriate proceedings, all rights respecting the levy and collection of taxes that are granted by law to holders of permanent bonds, except the right to require the levies to be collected prior to the maturity of this Note. If this Note is not paid in full at maturity, the holder hereof may require the issuance in exchange for it, at par, of a new temporary bond maturing within one year from its date of issue but not subject to any other maturity limitation, and bearing interest at the maximum rate permitted by law. Reference is made to the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

IT IS CERTIFIED AND RECITED that all acts and conditions required by the Charter of the Issuer and 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 corporate 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, statutory or charter limitation.

IN WITNESS WHEREOF; the City of East Gull Lake, Cass County, Minnesota, by its governing body, has caused this Note to be executed in its name by the signature of the Mayor and attested by the signature of the Administrator.

ATTEST:

(form-no signature required)
Administrator

(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 the Administrator, 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.

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of Administrator</u>
11/1/2022	Bank of Zumbrota 1440 South Main Street P.O. Box 8 Zumbrota, MN 55992 Federal Tax I.D. No. 41-0250300	_____

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 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)

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. Funds, Accounts, Appropriations and Revenues.

4.01 Funds and Accounts.

A. The Fund. There is created a special fund to be designated the "2022 General Obligation Tax Abatement Fund" (the "Fund") to be administered and maintained by the Administrator 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 all of the Note and the interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate funds, to be designated the "Construction Fund" and "Debt Service Fund," respectively:

(1) *Construction Fund.* On receipt of the purchase price of the Note, the Issuer shall credit proceeds from the sale of the Note, less any accrued interest paid by the Lender upon closing and delivery of the Note (the "Accrued Interest") and less any capitalized interest funded from the proceeds of the Note ("Capitalized Interest"), to the Construction Fund. Proceeds from the Note on deposit in the Construction Fund, 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 Note and interest due on the Note prior to completion of the Project, as such become due. Any funds remaining in the Construction Fund after completion of the Project shall be transferred to the Debt Service Fund.

(2) *Debt Service Fund.* There is pledged and appropriated to the Debt Service Fund: (1) \$45,488 in funds of the Issuer (2) all Capitalized Interest funded from Note proceeds; (3) Accrued Interest, if any; (4) any funds remaining in the Construction Fund

after completion of the Project; (5) proceeds of the Permanent Obligations; and (6) all investment earnings on funds in the Debt Service Fund. The money in the Debt Service 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 Administrator 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.

4.02 Covenants. Notwithstanding anything in this resolution to the contrary, the Issuer warrants, represents and covenants that the Abatement will be spent only in accordance with this Resolution. The Issuer further warrants, represents and covenants that unless otherwise provided in this resolution, the Abatement shall be deposited, as received, in the Debt Service Fund and shall only be spent for payment of the principal of and interest on the Note.

4.03 No Tax Levy. It is determined that the revenues collected from the Abatement and the Permanent Obligations pledged for payment of principal and interest on the Note will produce at least five percent in excess of the amount needed to meet when due, the principal and interest payments on the Note and that no tax levy is needed at this time.

4.04 Investments. Monies on deposit in the Construction Fund and the Debt Service Fund may, at the discretion of the Administrator, 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 payment of the principal and interest on the Note when due.

4.05 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 Note that if the Note cannot be paid at maturity from the revenue of the Abatement and Permanent Obligations or from other funds appropriated by the Issuer, the Note will be paid from the proceeds of permanent bonds which the City Council shall offer for sale in advance of their maturity but the indebtedness funded by the Note shall not be extended by the issue of additional temporary bonds for more than six years from the date of the Note. The holder of the Note shall have and may enforce, by mandamus or other appropriate proceedings, all rights respecting the levy and collection of taxes that are granted by law to holders of permanent bonds, except the right to require the levies to be collected prior to the maturity of the Note. If the Note is not paid in full at maturity, the holder may require the issuance in exchange for them, at par, of new temporary bonds maturing within one year from their date of issue but not subject to any other maturity limitation, and bearing interest at the maximum rate permitted by law.

4.06 General Obligation. It is recognized, however, that the Issuer's liability on the Note is not limited to the revenues of the Abatement and Permanent Obligations 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 Note and any definitive obligations, without limitation as to rate or amount.

Section 5. Tax Covenants.

5.01 General. A. The Issuer covenants and agrees with the holder 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.

B. For purposes of qualifying for the small issuer exception to the federal arbitrage rebate requirements, the Issuer finds, determines and declares:

- (1) the Issuer is a governmental unit with general taxing powers;
- (2) the Note is not a "private activity bond" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code");
- (3) 95% or more of the net proceeds of the Note is to be used for local governmental activities of the Issuer; and
- (4) 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.

C. 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 makes the following factual statements and representations:

- (i) the Note is not "private activity bonds" as defined in Section 141 of the Code;
- (ii) the Issuer designates the Note as a "qualified tax-exempt obligation" 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 Note 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 Note is being issued have been designated for purposes of Section 265(b)(3) of the Code.

Section 6. Miscellaneous.

6.01 Filing with County Auditor. The Administrator is directed to file with the County Auditor a 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 have been duly entered on the County Auditor's register.

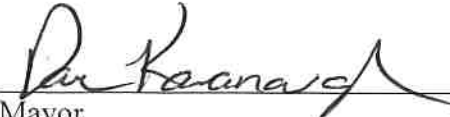
6.02 Offering Materials. No official statement or prospectus has been prepared or circulated by the Issuer in connection with the sale of the Note and the Lender has made its own investigation concerning the Issuer as set forth in a Lender's certificate or investment letter and receipt.

6.03 Absent or Disabled Officers. In the event of the absence or disability of the Mayor or the Administrator, such officers or members of the City Council 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 Administrator 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 Note. The Administrator continues to be designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.

Adopted: October 4, 2022.



Mayor

Attest:



Administrator

M:\DOCS\20933\000002\ROL\1B83564.DOC

EXHIBIT A
Abatement Property

Parcel Identification Numbers:

87-367-0112	87-367-0142	87-028-1200
87-367-0114	87-367-0144	87-028-1302
87-367-0116	87-367-0146	87-028-1307
87-367-0118	87-367-0148	87-028-1305
87-367-0120	87-382-0110	87-028-2403
87-367-0122	87-382-0120	87-028-2305
87-367-0124	87-382-0130	87-028-2303
87-367-0126	87-028-2103	87-028-2304
87-367-0130	87-028-2104	87-028-2302
87-367-0132	87-028-2404	87-028-2102
87-367-0134	87-028-2402	87-028-2408
87-367-0136	87-028-2400	87-028-2407
87-367-0138	87-388-0110	87-028-2406
87-367-0140	87-028-1201	87-028-2401