

Extract of Minutes of Meeting of the
Town Board of the Town of Miltona
Douglas County, Minnesota

Pursuant to due call and notice thereof, a regular meeting of the Town Board of the Town of Miltona, Minnesota, was duly held in the Town Hall in the City of Miltona on Monday, October 5, 2009, commencing at 7:00 P.M.

The following members were present:

GARY ANDERSON, KEITH BALDWIN

and the following were absent:

JEROME HAGGNUM

The Chair announced that the next item of business was the consideration of a proposal for the purchase of \$1,247,740 General Obligation Sanitary District Bond of 2009 of the Town.

The Town Clerk presented an offer of First State Bank of Alexandria, Alexandria, Minnesota to purchase the Bonds that had been submitted to the Town pursuant to Board direction.

After due consideration of the proposal, Boardmember KEITH BALDWIN introduced the following resolution, and moved its adoption:

RESOLUTION NO. 2009-12

A RESOLUTION AWARDED THE SALE OF \$1,247,740
GENERAL OBLIGATION SANITARY DISTRICT
BOND OF 2009
FIXING ITS FORM AND SPECIFICATIONS;
DIRECTING ITS ISSUANCE AND DELIVERY;
AND PROVIDING FOR ITS PAYMENT

BE IT RESOLVED By the Town Board of the Town of Miltona, Douglas County, Minnesota (the "Town") as follows:

Section 1. Background: findings.

1.01. The Town is currently a member of the Central Lakes Region Sanitary District ("CLRSD"), a joint powers sanitary district created pursuant to Minnesota Laws 2003, Chapter 127.

1.02. The member towns of CLRSD, including the Town, have determined that the costs to construct and maintain a CLRSD sewer system serving the CLRSD member communities are unacceptably high, and have determined to dissolve CLRSD pursuant to Minnesota Laws 2009, Chapter 44.

1.03. The Town Board has received written notice from CLRSD that pursuant to CLRSD Resolution D-2009-06, Affirming Method of Allocation of Costs and Directing Notice of Allocation, dated May 7, 2009, as part of the process of dissolution, CLRSD has allocated a portion of its outstanding costs (the "CLRSD Costs") in the principal amount of \$1,397,740 to the Town, which CLRSD Costs are payable to CLRSD by November 1, 2009.

1.04. The Town Board is authorized by Minnesota Laws 2003, Chapter 127 and Minnesota Laws 2009, Chapter 44, as well as Minnesota Statutes, Chapter 475 (together, the "Act"), to finance all or a portion of the CLRSD Costs by the issuance of general obligation bonds of the Town payable from special charges levied against all taxable parcels within the geographic area of CLRSD located within the Town (the "CLRSD Area"), and ad valorem taxes levied against all taxable property in the Town as determined by the Town Board in its Resolution No. 2009-10, dated September 8, 2009.

1.05. It is determined that it is necessary and desirable for the sound financial management of the Town that the Town issue and sell its General Obligation Sanitary District Bond of 2009 (the "Bond") pursuant to the Act to finance a portion of the CLRSD Costs.

1.06. The Town ratifies the actions of the Town Clerk in retaining Ehlers & Associates, Inc. as an independent financial advisor for the purpose of reviewing the pricing fairness associated with the purchase of the Bond. It being thus determined that the Town has retained an independent financial adviser in connection with the sale, the Town is authorized by Minnesota Statutes, Section 475.60, subdivision 2(9) to negotiate the sale of the Bond. The actions of the Town staff in negotiating such sale are ratified and confirmed in all aspects.

Section 2. Sale of Bond.

2.01. The offer of First State Bank of Alexandria, Alexandria, Minnesota (the "Purchaser") to purchase the Bond is found to be a reasonable offer and is accepted, the

offer being to purchase the Bond at a price of \$1,247,740 for a Bond bearing interest at the rate of 3.25% per annum to maturity.

2.02. The Town will forthwith issue and sell the Bond to the Purchaser in the total principal amount of \$1,247,740. The Bond will be originally dated as of date of delivery, in the denomination of \$1,247,740 and will mature on February 1 and August 1, on the dates and in the installment amounts as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
8/01/2010	\$106,464.90	\$30,885.84	\$137,350.74
2/01/2011	118,652.59	18,698.15	137,350.74
8/01/2011	120,869.71	16,481.03	137,350.74
2/01/2012	122,576.82	14,773.92	137,350.74
8/01/2012	124,723.82	12,626.92	137,350.74
2/01/2013	126,628.48	10,722.26	137,350.74
8/01/2013	128,844.10	8,506.64	137,350.74
2/01/2014	130,814.03	6,536.71	137,350.74
8/01/2014	133,028.87	4,321.87	137,350.74
2/01/2015	135,136.68	2,214.02	137,350.70

2.03 Optional Redemption. The Town may elect on any day to prepay the Bond. Redemption may be in whole or in part, at a price of par plus accrued interest.

Section 3. Registrations.

3.01. Registered Form. The Bond will be issued as one typewritten bond, numbered R-1 only in fully registered form. The interest thereon and, upon surrender of the Bond, the principal amount thereof, will be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. The Bond will be dated as of the last interest payment date preceding the date of authentication to which interest on the Bond has been paid or made available for payment, unless (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case such Bond will be dated as of the date of authentication, or (ii) the date of authentication is prior to the first interest payment date, in which case such Bond will be dated as of the date of original issue. The interest on the Bond will be payable on February 1 and August 1 of each year, commencing August 1, 2010, to the owner of record thereof as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

3.03. Registration. The Town appoints the Town Treasurer as bond registrar (the "Registrar"). The effect of registration and the rights and duties of the Town and the Registrar with respect thereto will be as follows:

(a) Register. The Registrar will keep a bond register in which the Registrar will provide for the registration of ownership of the Bond and the registration of transfers and exchanges of the Bond.

(b) Transfer of Bond. Upon surrender for transfer of the Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar will deliver, in the name of the designated transferee or transferees, a new Bond of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until that interest payment date.

(c) Exchange of Bond. Whenever the Bond is surrendered by the registered owner for exchange the Registrar will deliver a new Bond of a like aggregate principal amount and maturity as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. The Bond, if surrendered upon a transfer or exchange, will be promptly cancelled by the Registrar and thereafter disposed of as directed by the Town.

(e) Improper or Unauthorized Transfer. When the Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar will incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The Town and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. The Registrar may impose a charge upon the owner thereof for every transfer or exchange of Bonds, sufficient to reimburse the

Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bond. In case the Bond becomes mutilated or is destroyed, stolen or lost, the Registrar will deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the Town and the Registrar will be named as obligees. All Bonds so surrendered to the Registrar will be cancelled by it and evidence of such cancellation will be given to the Town. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it will not be necessary to issue a new Bond prior to payment.

(i) Redemption. In the event any installment amount of the Bond is called for redemption, notice thereof identifying the installment amount to be redeemed will be given by the Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than 60 and not less than 30 days prior to the date fixed for redemption to the registered owner of the Bond at the address shown on the registration books kept by the Registrar and by publishing the notice if required by law. Failure to give notice by publication or by mail to any registered owner, or any defect therein, will not affect the validity of the proceedings for the redemption of the Bond. Installments of the Bond so called for redemption will cease to bear interest after the specified redemption date, provided that the funds for the redemption are on deposit with the place of payment at that time.

3.04. Execution and Delivery. The Bond will be prepared under the direction of the Town Clerk and will be executed on behalf of the Town by the signatures of the Chair and the Town Clerk. In case any officer whose signature or a facsimile of whose signature will appear on the Bond will cease to be such officer before the delivery of the Bond, such signature will nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. When the Bond has been so prepared and executed the Town Treasurer will deliver the same to the Purchaser thereof upon payment of the purchase price and the Purchaser will not be obligated to see to the application of the purchase price.

Section 4. Form of Bond.

4.01. The Bond will be printed or typewritten in substantially the following form:

No. R-1

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF DOUGLAS
TOWN OF MILTONA

\$1,247,740

GENERAL OBLIGATION SANITARY DISTRICT BOND OF 2009

<u>Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>
3.25%	February 1, 2015	October 27, 2009

Registered Owner: FIRST STATE BANK OF ALEXANDRIA, Alexandria, Minnesota

Principal Amount: ONE MILLION TWO HUNDRED FORTY SEVEN THOUSAND SEVEN HUNDRED FORTY DOLLARS

The Town of Miltona, Minnesota, a duly organized and existing public corporation and political subdivision in Douglas County, Minnesota (the "Town"), acknowledges itself to be indebted and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above on February 1 and August 1 in the years and installment amounts as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
8/01/2010	\$106,464.90	\$30,885.84	\$137,350.74
2/01/2011	118,652.59	18,698.15	137,350.74
8/01/2011	120,869.71	16,481.03	137,350.74
2/01/2012	122,576.82	14,773.92	137,350.74
8/01/2012	124,723.82	12,626.92	137,350.74
2/01/2013	126,628.48	10,722.26	137,350.74
8/01/2013	128,844.10	8,506.64	137,350.74
2/01/2014	130,814.03	6,536.71	137,350.74
8/01/2014	133,028.87	4,321.87	137,350.74
2/01/2015	135,136.68	2,214.02	137,350.70

with interest thereon from the date hereof at the annual rate specified above, payable February 1 and August 1 in each year, commencing August 1, 2010. For the prompt and full payment of such principal and interest as the same respectively become due, the full faith and credit and taxing powers of the Town have been and are hereby irrevocably pledged.

Optional Redemption. The Town may elect on any day to prepay the Bond. Redemption may be in whole or in part. Prepayments will be at a price of par plus accrued interest.

This Bond is one of an issue in the aggregate principal amount of \$1,247,740 all of like original issue date and tenor issued pursuant to a resolution adopted by the Town Board on October 5, 2009 (the "Resolution"), for the purpose of providing money to defray the expenses incurred in establishing and dissolving a sanitary district serving the Town, pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Laws 2003, Chapter 127 and Laws 2009, Chapter 44, and the principal hereof and interest hereon are payable primarily from special charges against property in the geographic borders of said sanitary district located within the Town and from ad valorem taxes levied against all taxable property in the Town, as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred. The full faith and credit of the Town are irrevocably pledged for payment of this Bond and the Town Board has obligated itself to levy additional ad valorem taxes on all taxable property in the Town in the event of any deficiency in special charges and taxes pledged, which taxes may be levied without limitation as to rate or amount. The Bond of this series is issued only as fully registered Bond in the denomination of \$1,247,740.

The Town Board has designated the issue of Bonds of which this Bond forms a part, as a "qualified tax exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue code of 1986, as amended (the "Code") relating to disallowance of interest expense for financial institutions and within the \$30 million limit allowed by the Code for the calendar year of issue.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the Town at the principal office of the Registrar, by the registered owner hereof in person or by the owner's attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner's attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the Town will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The Town and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the Town nor the Registrar will be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Bond in order

to make it a valid and binding general obligation of the Town in accordance with its terms, have been done, do exist, have happened and have been performed as so required, and that the issuance of this Bond does not cause the indebtedness of the Town to exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the Town of Miltona, Douglas County, Minnesota, by its Town Board, has caused this Bond to be executed on its behalf by the facsimile or manual signatures of the Chair and Town Clerk and has caused this Bond to be dated as of the ____ day of _____, 2009.

TOWN OF MILTONA, MINNESOTA

(Facsimile)
Town Clerk

(Facsimile)
Chair

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Bond is registered in the bond register of the Registrar, in the name of the person last listed below.

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of Town Treasurer</u>
_____	First State Bank of Alexandria Alexandria, Minnesota Federal ID # _____	_____

Section 5. Payment: Security.

5.01. The Bond will be payable from the General Obligation Sanitary District Bond of 2009 Debt Service Fund (the "Debt Service Fund") hereby created, and the proceeds of special charges (the "Special Charges") and ad valorem taxes (the "Taxes") levied or to be levied for the CLRSD Costs financed by the Bond are hereby pledged to the Debt Service Fund.

If any payment of principal or interest on the Bond becomes due when there is not sufficient money in the Debt Service Fund to pay the same, the Treasurer will pay such principal or interest from the general fund of the Town, and the general fund may be reimbursed for such advances out of the proceeds of Special Charges when collected.

5.02. Pledge of Tax Levy. For the purpose of paying the principal of and interest on the Bond, there is levied a direct annual irrepealable ad valorem tax (the “Taxes”) upon all of the taxable property in the Town, which will be spread upon the tax rolls and collected with and as part of other general taxes of the Town. The taxes will be credited to the Debt Service Fund above provided and will be in the years and amounts as follows (year stated being year of collection:

<u>Year</u>	<u>Levy</u>
2010	\$59,304
2011	\$44,989
2012	\$37,084
2013	\$28,778
2014	\$20,272

5.03. Certification to County Auditor as to Debt Service Fund Amount. It is hereby determined that the estimated collections of Special Charges and the foregoing Taxes will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Bond. The tax levy herein provided is irrepealable until all of the Bond is paid, provided that at the time the Town makes its annual tax levies the Town Clerk may certify to the County Auditor of Douglas County the amount available in the Debt Service Fund to pay principal and interest due during the ensuing year, and the County Auditor will thereupon reduce the levy collectible during such year by the amount so certified.

Section 6. Tax Covenant.

6.01. The Town covenants and agrees with the holders from time to time of the Bond that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bond to become subject to taxation under the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations promulgated thereunder, in effect at the time of such actions, and that it will take or cause its officers, employees or agents to take, all affirmative action within its power that may be necessary to ensure that such interest will not become subject to taxation under the Code and applicable Treasury regulations, as presently existing or as hereafter amended and made applicable to the Bonds.

6.02. (a) The Town will comply with requirements necessary under the Code to establish and maintain the exclusion from gross income of the interest on the Bond under Section 103 of the Code, including without limitation requirements relating to temporary periods for investments, limitations on amounts invested at a yield greater than the yield on the Bond, and the rebate of excess investment earnings to the United States, if the Bond (together with other

obligations reasonably expected to be issued in calendar year 2009) exceed the small-issuer exception amount of \$5,000,000.

(b) For purposes of qualifying for the small issuer exception to the federal arbitrage rebate requirements, the Town finds, determines and declares that the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the Town (and all subordinate entities of the Town) during the calendar year in which the Bond is issued and outstanding at one time is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

6.03. The Town further covenants not to use the proceeds of the Bond or to cause or permit them or any of them to be used, in such a manner as to cause the Bond to be a “private activity bond” within the meaning of Sections 103 and 141 through 150 of the Code.

6.04. In order to qualify the Bond as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code, the Town makes the following factual statements and representations:

(a) the Bond is not a “private activity bond” as defined in Section 141 of the Code;

(b) the Town hereby designates the Bond 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, that are not qualified 501(c)(3) bonds) which will be issued by the Town (and all subordinate entities of the Town) during calendar year 2009 will not exceed \$30,000,000; and

(d) not more than \$30,000,000 of obligations issued by the Town during calendar year 2009 have been designated for purposes of Section 265(b)(3) of the Code.

6.05. The Town will use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designations made by this section.

Section 7. Authentication of Transcript.

7.01. The officers of the Town are hereby authorized and directed to prepare and furnish to the Purchaser and to the attorneys approving the Bond, certified copies of proceedings and records of the Town relating to the Bond and to the financial condition and affairs of the Town, and such other certificates, affidavits and transcripts as may be required to show the facts within their knowledge or as shown by the books and records in their custody and under their control, relating to the validity and marketability of the Bond and such instruments, including

any heretofore furnished, will be deemed representations of the Town as to the facts stated therein.

7.02. It is determined that no comprehensive Official Statement or offering material has been prepared or circulated by the Town in connection with the sale of the Bond and that the Town is relying on the investment representation of the Purchaser in an investment letter of even date now on file with the Town Clerk.

Section 8. Continuing Disclosure.

8.01. Participating underwriters need not comply with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), because the Bond qualifies for the exemption to such Rule pursuant to Section 15c2-12(d)(1)(i) of the Rule. Consequently, the Town will not enter into any undertaking to provide continuing disclosure of any kind with respect to the Bond.

Section 9. Defeasance.

9.01. When the Bond and all interest thereon, have been discharged as provided in this section, all pledges, covenants and other rights granted by this resolution to the holders of the Bond will cease, except that the pledge of the full faith and credit of the Town for the prompt and full payment of the principal of and interest on the Bond will remain in full force and effect. The Town may discharge the Bond which is due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full. If any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

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The motion for adoption was duly seconded by Boardmember GARY ANDERSON, and, upon vote being taken thereon, the following members voted in favor:

KETH BALDWIN , GARY ANDERSON

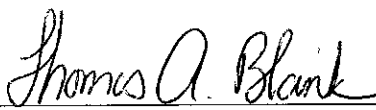
and the following voted against:

whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA)
)
COUNTY OF DOUGLAS)
)
TOWN OF MILTONA)

I, the undersigned, being the duly qualified and acting Clerk of the Town of Miltona, Douglas County, Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular meeting of the Town Board held on Monday, October 5, 2009, with the original minutes on file in my office and the extract is a full, true and correct copy of the minutes insofar as they relate to the issuance and sale of \$1,247,740 General Obligation Sanitary District Bond of 2009, of the Town.

WITNESS My hand officially as such Town Clerk Town this 5th day of October, 2009.



Town Clerk
Town of Miltona, Minnesota

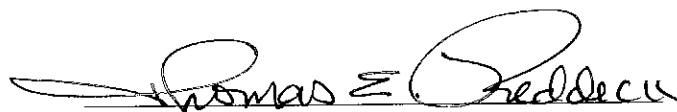
STATE OF MINNESOTA

COUNTY OF DOUGLAS

COUNTY AUDITOR'S
CERTIFICATE AS TO
TAX LEVY AND
REGISTRATION

I, the undersigned County Auditor of Douglas County, Minnesota, hereby certify that a certified copy of a resolution adopted by the governing body of the Town of Milona, Minnesota, on October 5, 2009, levying taxes for the payment of \$1,247,740 General Obligation Sanitary District Bond of 2009, of said municipality dated as of date of delivery, has been filed in my office and said bonds have been entered on the register of obligations in my office and that such tax has been levied as required by law.

WITNESS My hand and official seal this 13th day of October, 2009.



County Auditor
Douglas County, Minnesota

(SEAL)

Deputy