



**FOREST LAKE AREA SCHOOLS
FOREST LAKE, MN 55025**

February 6, 2014

AGENDA ITEM: 9.4

TOPIC: RESOLUTION RELATING TO LEASE PURCHASE OF DISTRICT FACILITIES; PROVIDING FOR THE FINANCING THEREOF AND CREATION OF CERTIFICATES OF PARTICIPATION THEREIN; RATIFYING THE AWARD OF SALE; AUTHORIZING THE EXECUTION OF DOCUMENTATION RELATING THERETO

BACKGROUND: During November and December, the School Board approved resolutions relating to lease financing and closing on the project using our own cash flow in order to recognize revenue from the arena as soon as possible. The lease financing has been finalized and is detailed in the attached resolution.

PROCESS: This is the final resolution ratifying the lease purchase which was underwritten by Dougherty & Company LLC in consultation with Springsted, Inc. The true interest cost of the lease purchase certificates is 4.94% over the twenty year term. If the lease purchase certificates are paid off early, then the true interest cost would be reduced.

RECOMMENDATION: Approval of the attached resolution.

CERTIFICATION OF MINUTES RELATING TO
\$3,000,000 CERTIFICATES OF PARTICIPATION, SERIES 2014A

Issuer: Independent School District No. 831 (Forest Lake Area Schools), Minnesota

Governing Body: School Board

Kind, date, time and place of meeting: A regular meeting held February 6, 2014, at 7:00 p.m., at the School District offices.

Members present:

Members absent:

Documents Attached:

Minutes of said meeting (including):

RESOLUTION RELATING TO LEASE PURCHASE OF DISTRICT FACILITIES;
PROVIDING FOR THE FINANCING THEREOF AND CREATION OF CERTIFICATES OF
PARTICIPATION THEREIN; RATIFYING THE AWARD OF SALE; AUTHORIZING THE
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I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the obligations referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said obligations; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this 6th day of February, 2014.

School District Clerk

Member _____ introduced the following resolution and moved its adoption, which motion was seconded by Member _____ :

RESOLUTION RELATING TO LEASE PURCHASE OF DISTRICT FACILITIES;
PROVIDING FOR THE FINANCING THEREOF AND CREATION OF CERTIFICATES OF
PARTICIPATION THEREIN; RATIFYING THE AWARD OF SALE; AUTHORIZING THE
EXECUTION OF DOCUMENTATION RELATING THERETO

BE IT RESOLVED by the School Board (the Board) of the Independent School District No. 831 (Forest Lake Area Schools), Minnesota (the District), as follows:

SECTION 1. AUTHORIZATION AND SALE.

1.1. AUTHORIZATION. By resolution duly adopted on November 7, 2013, as amended by resolution duly adopted on December 19, 2013 (together, the Authorizing Resolution), this Board authorized the execution of a Lease Purchase Agreement and the creation of Certificates of Participation therein (referred to herein as the Certificates of Participation, Series 2014A or the Certificates) and the sale thereof to Dougherty & Company LLC, in Minneapolis, Minnesota (the Purchaser), in an aggregate principal amount not to exceed \$3,000,000 and provided that the true interest cost does not exceed 5.99% per annum, and further authorized the Superintendent and Director of Business Services to approve the sale of the Certificates and enter into a certificate purchase agreement with the Purchaser. This Board hereby determines that it is in the best interests of the District to enter into a lease purchase transaction as described below and authorizes the execution and delivery of a Lease Purchase Agreement and the creation of the Certificates therein for the purpose of financing the acquisition of the ice arena and field house known as the Lichtscheidl Arena and Field House (the Facilities) from the Forest Lake Area Athletic Association in order to provide school-managed activities and recreational services to District residents, pursuant to Minnesota Statutes Section 465.71. On May 30, 2013, this Board conducted a public hearing on the proposal to finance the acquisition of the Facilities as required by Section 147(f) of the Internal Revenue Code of 1986, as amended, due to the contemplated use of the Facilities by the Forest Lake Area Athletic Association.

1.2. SALE. A proposal that meets the requirements set forth in the Authorizing Resolution has been received from the Purchaser to purchase the Certificates at a price of \$2,940,000 plus accrued interest on all Certificates to the day of delivery and payment, on the further terms and conditions hereinafter set forth.

1.3. RATIFICATION OF AWARD. Pursuant to the Authorizing Resolution, the sale of the Certificates has been awarded by the Superintendent and Director of Business Services to the Purchaser. The sale of the Certificates to the Purchaser and the execution of the certificate purchase agreement by the Superintendent and Director of Business Services for the sale of the Certificates to the Purchaser are hereby ratified in all respects.

SECTION 2. DOCUMENTS.

2.1. GROUND LEASE AND LEASE. The District has agreed with U.S. Bank National Association in St. Paul, Minnesota (the Trustee) that the Trustee will, pursuant to a Ground Sublease Agreement between the District and the Trustee (the Ground Lease), acquire certain interests in real property (the Land) from the District, and the Trustee will sublease its interest in the Land and lease and agree to sell the Facilities to the District pursuant to a Lease Purchase Agreement between the Trustee and the District (the Lease).

2.2. TRUST AGREEMENT. The Trustee will execute and deliver a Trust Agreement (the Trust Agreement), joined in by the District, pursuant to which the Trustee will (i) issue the Certificates representing interests in the Rental Payments (as defined in the Lease) to be made by the District under the Lease, and (ii) receive the proceeds of the sale of the Certificates and disburse such proceeds to finance the acquisition of the Facilities and pay costs of issuance of the Certificates.

2.3. FORM OF DOCUMENTS. In connection with the proposed financing and the issuance of the Certificates, forms of the Lease, Ground Lease, and Trust Agreement have been prepared, submitted to the District and filed with the School District Clerk.

SECTION 3. APPROVAL OF DOCUMENTS; OFFICIAL STATEMENT.

3.1. APPROVAL OF DOCUMENTS. The Lease, Ground Lease and Trust Agreement are hereby approved. The Lease, Ground Lease, and Trust Agreement shall be executed in the name and on behalf of the District by the Chairperson and School District Clerk in substantially the form on file, but with such final changes therein as may be approved by the officers executing the same, which approval shall be conclusively evidenced by the execution thereof. The Chairperson and School District Clerk are also authorized and directed to execute such closing certificates and other documents as may be necessary to complete the issuance and delivery of the Certificates.

3.2. OFFICIAL STATEMENT. The Preliminary Official Statement relating to the Certificates, dated as of January 21, 2014, prepared and distributed by Springsted Incorporated, the financial advisor for the District, is hereby approved. Springsted Incorporated is hereby authorized on behalf of the District to prepare and distribute to the Purchaser, within seven business days from the sale date of the Certificates, a Final Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Certificates required to be included in the Official Statement by Rule 15c2-12 adopted by the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934. The officers of the District are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

SECTION 4. ISSUANCE OF CERTIFICATES. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Certificates having been done,

now existing, having happened and having been performed, the District shall proceed forthwith to cause the Trustee to issue the Certificates in the form and upon the terms set forth in the Trust Agreement and the proposal received by the Purchaser. The District shall proceed forthwith to cause the Trustee to issue the Lease and Certificates in the form and upon the terms set forth in the Trust Agreement and the proposal received by the Purchaser described in Section 1.2 herein. The Chairperson and School District Clerk are authorized to approve the final terms of the Certificates, which approval shall be conclusively evidenced by the execution of the Trust Agreement by said officers. The Certificates shall be prepared, executed and delivered as prescribed in the Trust Agreement and the officers of the District shall deliver to the Trustee a certified copy of this resolution and other documents required by the Trust Agreement, for authentication and delivery to the Purchaser. The Trustee is hereby appointed authenticating agent with respect to the Certificates, and as paying agent for the Certificates pursuant to the Trust Agreement.

SECTION 5. PAYMENT OF RENTAL PAYMENTS. The District will pay to the Trustee promptly when due, all of the Rental Payments and other amounts required by the Lease. The agreements of the District in this section are subject to the provisions for termination set forth in the Lease, which shall provide that the Lease will be subject to termination by the District, without penalty, at the end of any fiscal year of the District, in accordance with the terms thereof, and the full faith and credit and ad valorem taxing powers of the District are not pledged to the payment of the District's obligations under the Lease or the Certificates.

SECTION 6. TAX COVENANTS, ARBITRAGE MATTERS, AND REIMBURSEMENT.

6.1. COVENANT. The District covenants and agrees with the owners from time to time of the Certificates, 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 component of the Rental Payments payable under the Lease and received by the registered owners of the Certificates to become subject to taxation under the Internal Revenue Code of 1986, as amended (the Code) and any regulations issued thereunder (the Treasury Regulations), in effect at the time of such action, and that it will take, or it will cause its officers, employees or agents to take, all affirmative actions within its powers which may be necessary to insure that the interest component of the Rental Payments payable under the Lease and received by the registered owners of the Certificates will not become subject to taxation under the Code and the Treasury Regulations, as presently existing or as hereafter amended and made applicable to the Certificates. So long as the Certificates are outstanding, the District will not enter into any lease, use agreement or other contract or agreement respecting the Facilities subject to the Lease which would cause the Lease and Certificates to be considered a "private activity bond" or "private loan bond" pursuant to the provisions of Section 141 of the Code. The Facilities will be used by the Forest Lake Area Athletic Association, a Minnesota nonprofit corporation and a 501(c)(3) organization, and the Lease and Certificates are therefore being issued as "qualified 501(c)(3) bonds" under section 145 of the Code.

6.2. ARBITRAGE CERTIFICATION. The Chairperson and School District Clerk being the officers of the District charged with the responsibility for issuing the Lease and Certificates pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a

certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Treasury Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Lease and Certificates which make it reasonable to expect that the proceeds of the Lease and Certificates will not be used in a manner that would cause the Lease and Certificates to be an arbitrage bond within the meaning of the Code and Treasury Regulations. The District reserves the right to avail itself of any of the spending exceptions to arbitrage rebate set forth in Section 148(f) of the Code and related Treasury Regulations.

6.3. QUALIFIED TAX-EXEMPT OBLIGATIONS. The Board has designated the Lease and the Certificates as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of qualified tax-exempt obligations, which are not private activity bonds (not treating qualified 501(c)(3) bonds under Section 145 of the Code as private activity bonds for the purpose of this representation) which will be issued by the District and all subordinate entities during calendar year 2014 does not exceed \$10,000,000.

6.4. ARBITRAGE REBATE. The District acknowledges that the arbitrage rebate requirements of Section 148(f)(4)(D) of the Code are applicable to the Lease and Certificates, that the Lease and the Certificates are “qualified 501(c)(3) bonds” under section 145 of the Code, and the District hereby covenants and agrees to make computations, retain records and pay amounts to the United States at the times and in the manner required by said Section 148(f)(4)(D) of the Code, and as set forth in the tax compliance agreement or similar document executed in connection with the delivery of the Certificates to the Purchaser. The District reserves the right to avail itself of any of the spending exceptions to arbitrage rebate set forth in Section 148(f) of the Code and related Treasury Regulations.

6.5. REIMBURSEMENT. The District certifies that the proceeds of the Certificates will not be used by the District to reimburse itself for any expenditure with respect to the Facilities which the District has paid or will pay more than 60 days prior to the issuance of the Certificates unless, with respect to such prior expenditures, the District shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Facilities meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Facilities as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Certificates.

SECTION 7. CONTINUING DISCLOSURE. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Lease and Certificates and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Lease and Certificates to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Lease and Certificates, the District hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to

time of the outstanding Certificates. The District is the only obligated person in respect of the Lease and Certificates within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the District fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Certificates, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Lease and Certificates or under any other provision of this resolution. As used in this section, Owner or Certificateowner means, in respect of a Certificate, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Certificate, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Certificate (including persons or entities holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Certificate for federal income tax purposes.

(b) Information To Be Disclosed. The District will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the District, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2014, the following financial information and operating data in respect of the District (the Disclosure Information):
 - (A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: District Property Values; District Indebtedness; District Tax Rates, Levies and Collections; and District Enrollment and Employment, which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the District shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The District shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the District have materially changed or been discontinued, such Disclosure Information need no longer be provided if the District includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Disclosure Information and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the District shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):

- (A) principal and interest payment delinquencies;
- (B) non-payment related defaults, if material;
- (C) unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) substitution of credit or liquidity providers, or their failure to perform;
- (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Lease and Certificates or other material events affecting the tax-status of the Lease and Certificates;
- (G) modifications to rights of Certificate holders, if material;
- (H) Certificate calls or prepayment of the Lease, if material and tender offers;
- (I) defeasances;
- (J) release, substitution, or sale of property securing repayment of the Lease and Certificates if material;
- (K) rating changes;
- (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an

- obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Certificate or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of a Certificate within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
- (A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);
 - (C) the termination of the obligations of the District under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the District.
- (c) Manner of Disclosure.

- (1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the District in this section shall remain in effect so long as any Lease and Certificates are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Lease and Certificates to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Certificates, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Lease and Certificates, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Certificateowners under the Rule.

If the Disclosure Information is so amended, the District agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SECTION 8. ADDITIONAL AUTHORIZATIONS. In the absence or other unavailability of the Chairperson, any document authorized in this resolution to be executed by the Chairperson may be executed by the Vice Chairperson or the Acting Chairperson and, in the absence or other unavailability of the School District Clerk, any document authorized in this resolution to be executed by the School District Clerk may be executed by the Acting School District Clerk.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.