

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
FULL TERM CAPITAL APPRECIATION CERTIFICATES OF PARTICIPATION,
SERIES 2012A, IN A PRINCIPAL AMOUNT NOT TO EXCEED \$12,801,327, TO FINANCE
A PORTION OF THE PROJECT COSTS FOR CONGDON ELEMENTARY AND GRANT
(NOW MYERS-WILKINS) ELEMENTARY

BE IT RESOLVED, by the School Board (the "School Board") of Independent School District No. 709, St. Louis County, Minnesota (the "District"), as follows:

Section 1. Authority. Under and pursuant to the authority contained in Minnesota Statutes, Section 126C.40, Subd. 6, as amended (the "Act"), the District is authorized to purchase real or personal property under an installment contract or may lease real or personal property with an option to purchase under a lease purchase agreement upon application to, and approval by, the Minnesota Commissioner of Education. The District has approved a Long-Range Facilities Plan (the "Plan") and the Minnesota Commissioner of Education has approved the District entering into an installment contract in the amount of \$111,442,577 under the Act to finance the purchase of real and personal property as set forth in the Plan (other than costs for the new Piedmont/Lincoln Elementary School and the new West Middle School, which was subsequently approved and financed). The District determined to acquire, construct and equip the projects approved by the Minnesota Commissioner of Education, pursuant to the Act, through an Installment Purchase Contract, dated as of June 1, 2008 (the "Installment Purchase Contract"), between U.S. Bank National Association ("U.S. Bank"), as vendor, and the District. In order to provide funds for the projects, the District authorized the issuance of \$111,440,000 Full Term Certificates of Participation, Series 2008B, dated June 1, 2008, pursuant to a Declaration of Trust by and between U.S. Bank, as trustee, and the District (the "Declaration of Trust"). The District approved an amendment to the Plan and the Commissioner of Education approved the District financing of an additional \$5,000,000 under the Act to provide additional funds for the purchase of real and personal property as set forth in the Plan, as amended. Pursuant to such authority, the District entered into an Amendment to Installment Purchase Contract dated as of October 1, 2010, between U.S. Bank, as vendor, and the District, as vendee, which amended the Installment Purchase Contract. In order to provide the additional funds for the projects, the District authorized the issuance of \$5,000,000 Full Term Certificates of Participation, Series 2010C, dated October 1, 2010, pursuant to a Supplement to Declaration of Trust between U.S. Bank, as trustee, and the District, dated as of October 1, 2010. The District has submitted a request for a review and comment for Congdon Elementary and Grant (now Myers-Wilkins) Elementary and the Minnesota Commissioner of Education has approved the District's financing of an additional \$12,801,327 in principal amount of certificates of participation under the Act to provide additional funds for the purchase of real and personal property for such projects.

Section 2. The Plan of Finance. The School Board hereby determines that it is necessary, expedient, and in the best educational interest of the District's pupils and residents that the District enter into an Amendment to the Installment Purchase Contract under the Act to provide additional funds to purchase the real and personal property for Congdon Elementary and Grant (now Myers-Wilkins) Elementary, and as approved by the Minnesota Commissioner of Education. Full Term Capital Appreciation Certificates of Participation, Series 2012A (the

“Certificates of Participation”), will be issued pursuant to a Supplement to the Declaration of Trust as additional certificates under the Declaration of Trust. The principal amount of the Certificates of Participation to be issued shall not exceed \$12,801,327 and such Certificates of Participation shall evidence the proportionate interest of the registered owners thereof in the Installment Payments to be made by the District under the Installment Purchase Contract, as amended.

Section 3. Official Terms of Offering. The District’s administrative staff is hereby authorized and directed to work with Northland Securities, Inc., independent financial advisor to the District, and Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel, to solicit bids and arrange for the sale of the Certificates of Participation in substantial compliance with the Notice of Sale attached hereto as Exhibit A. The Chief Financial Officer/Executive Director of Business Services, after consulting with the District’s financial advisor and bond counsel, is authorized to modify the terms of the Notice of Sale prior to accepting the bids, including, but not limited to, reducing the size of the issue and rescheduling the sale. The bids shall be received by the Chief Financial Officer/Executive Director of Business Services or his designee until 11:00 a.m. central time on May 15, 2012, and consideration for the award of the Certificates of Participation will be by the School Board at 6:30 p.m. central time on the same date.

Section 4. Repayment of Obligations. The form, specifications and provisions for payment of the Amendment to the Installment Purchase Contract and the Certificates of Participation and the form of the Supplement to the Declaration of Trust shall be set forth in a subsequent resolution of the School Board.

Section 5. Consideration of Bids. The School Board shall meet on May 15, 2012, in accordance with the Notice of Sale, to consider bids for the purchase of the Certificates of Participation and to take whatever actions are necessary for the acceptance or rejection of the bids.

Section 6. Credit Enhancement. (a) The Board Chair, Superintendent or Chief Financial Officer/Executive Director of Business Services are hereby authorized and directed to submit a Minnesota School District Credit Enhancement Program Application for Default Preclusion to the Minnesota Department of Education, as provided by Minnesota Statutes, Section 126C.55.

(b) The District hereby covenants and obligates itself to notify the Minnesota Commissioner of Education of a potential default in the payment of principal and interest on the Certificates of Participation and to use the provisions of Minnesota Statutes, Section 126C.55 to guarantee payment of the principal and interest on the Certificates of Participation when due. The District further covenants to deposit with the trustee/bond registrar or any successor paying agent three (3) days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Minnesota Commissioner of Education that it will be unable to make all or a portion of that payment. The trustee, as bond registrar for the Certificates of Participation, is authorized and directed to notify the Minnesota Commissioner of Education if it becomes aware of a potential default in the payment of principal or interest on the Certificates of Participation, or if, on the day two (2) business days prior to the date a payment is due on the

Certificates of Participation, there are insufficient funds to make that payment on deposit with the trustee. The District understands that as a result of its covenant to be bound by the provisions of Minnesota Statutes, Section 126C.55, the provisions of that section shall be binding as long as any Certificates of Participation remain outstanding.

(c) The District further covenants to comply with all procedures now or hereafter established by the Department of Finance and the Department of Education of the State of Minnesota pursuant to Minnesota Statutes, Section 126C.55, subdivision 2(c) and otherwise to take such actions as necessary to comply with that section. The Chair, Clerk, Superintendent or Chief Financial Officer/Executive Director of Business Services are authorized to execute any applicable Minnesota Department of Education forms regarding such program.

Adopted: April 24, 2012

Motion made by Member _____, seconded by Member _____, to approve Resolution #B-__-__-_____, as presented. Upon a vote taken, the same was approved as follows:

Yeah:

Nay:

Clerk

Chair

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EXHIBIT A
NOTICE OF SALE

\$12,801,327*

FULL TERM CAPITAL APPRECIATION CERTIFICATES OF PARTICIPATION, SERIES 2012A
EVIDENCING THE PROPORTIONATE INTEREST OF REGISTERED OWNERS
THEREOF IN INSTALLMENT PAYMENTS TO BE MADE BY

INDEPENDENT SCHOOL DISTRICT NO. 709, DULUTH, MINNESOTA
(Book-Entry Only)

PURSUANT TO AN INSTALLMENT PURCHASE CONTRACT, AS AMENDED

NOTICE IS HEREBY GIVEN that these Certificates will be offered for sale according to the following terms:

TIME AND PLACE:

Bids will be opened by the District's CFO/Executive Director of Business Services, or designee, on Tuesday, May 15, 2012, at 11:00 A.M., CT, at the offices of Northland Securities, Inc., 45 South 7th Street, Suite 2000, Minneapolis, Minnesota 55402. Consideration of the Bids for award of the sale will be by the School Board at its meeting at the District Offices beginning Tuesday, May 15, 2012 at 6:30 P.M., CT.

SUBMISSION OF BIDS

Bids may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) for bids submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4907, or
- d) submitted electronically.

Notice is hereby given that electronic bids will be received via PARITY™, or its successor, in the manner described below, until 11:00 A.M., CT, on Tuesday, May 15, 2012. Bids may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 11:00 A.M., CT, but no Bid will be received after the time for receiving Bids specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the District nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Bid shall be deemed to constitute a contract between the bidder and the District to purchase the Certificates regardless of the manner in which the Bid is submitted.

* The District reserves the right to increase or decrease the original principal amount of the Bonds. Any such increase or decrease may be made in any maturity and will affect the maturity values. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

BOOK-ENTRY SYSTEM

The Certificates will be issued by means of a book-entry system with no physical distribution of certificates made to the public. The Certificates will be issued in fully registered form and one certificate, representing the aggregate principal amount of the Certificates maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Certificates.

Individual purchases of the Certificates may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the District through U.S. Bank, N.A., St. Paul, Minnesota (the "Paying Agent/Registrar"), to DTC, or its nominee as registered owner of the Certificates. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Certificates, will be required to deposit the certificates with DTC. The District will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

AUTHORITY/PURPOSE/SECURITY

The Certificates are being issued pursuant to Minnesota Statutes, Sections 126C.40 Subd. 6 and 126C.55, as amended. Proceeds will be used, along with other available funds of the District, to finance various improvements to Myers-Wilkins Elementary (formerly Grant Elementary) and Congdon Elementary pursuant to the District's facilities plan. The Certificates will be special limited obligations of the District payable solely from the Installment Payments due under the Amendment to Contract. The District will pledge the receipt of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, and with the approval of the Commissioner of Education, to the payments of the Installment Payments. **The District's obligation to make the Installment Payments is not subject to annual appropriation.** In addition, the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55 (Minnesota School District Credit Enhancement Program), and to use the provisions of that Statute pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Certificates when due if the District is unable to make a principal or interest payment on the Certificates.

DETAILS OF THE CERTIFICATES

The Certificates will be dated June 6, 2012 and shall bear interest from their date of settlement. Interest on the Certificates shall be compounded on August 1, 2012, and semiannually thereafter on February 1 and August 1 of each year, and is payable, together with principal, only at maturity or upon prior redemption. The "original principal" as used herein is that principal amount which, when accreted at its associated interest rate until its scheduled maturity date, results in a payment described hereinafter as its "maturity value." These maturity values will be in \$5,000 denominations or integral multiples thereof.

MATURITIES

The Certificates are being issued in the aggregate original principal amount of approximately \$12,801,327*. The rates specified by the successful purchaser will determine the original principal

* The District reserves the right to increase or decrease the original principal amount of the Bonds. Any such increase or decrease may be made in any maturity and will affect the maturity values. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

amount and the maturity value of each Certificate. The maturity values will be paid on February 1 in the estimated amounts (to be finalized post-sale) and the years as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2021	\$ 735,000	2024	\$2,680,000	2027	\$4,235,000
2022	1,785,000	2025	3,350,000	2028	4,470,000
2023	2,320,000	2026	4,020,000		

Within 24 hours of award, the successful purchaser shall provide a table of accreted values for a \$5,000 maturity value of each maturity as of each February 1 and August 1 through its maturity date based on semiannual compounding at the interest rate specified for such Certificates, from the assumed settlement date of June 6, 2012. In case of discrepancy, the District's calculation of accreted values shall be controlling.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August 1, 2012, to registered owners of the Certificates appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding such interest payment date.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *Rates must be in level or ascending order.* All Certificates of the same maturity must bear a single uniform rate from date of issue to maturity.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER BIDS

The District reserves the right to increase or decrease the original principal amount and make adjustments to the maturity value of the Certificates, in order to provide approximately \$12,801,327 in original principal amount. Any such increase or decrease will be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Bids by the District and shall be at the sole discretion of the District. The successful bidder may not withdraw or modify its Bid once submitted to the District for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Certificates maturing on February 1, 2023 through 2028 are subject to redemption and prepayment at the option of the District on February 1, 2022 and any date thereafter, at a price of 100% of the accreted value as of the date of redemption. Redemption may be in whole or in part of the Certificates subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the District and if only part of the Certificates having a common maturity date are called for prepayment, the specific Certificates to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Certificates qualify for assignment of CUSIP numbers such numbers will be printed on the Certificates, but neither the failure to print such numbers on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of

and pay for the Certificates in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Certificates will be within forty days after award, subject to an approving legal opinion by Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel. The legal opinion will be paid by the District and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF BID

Bids of not less than 98.75% of the original principal amount of \$12,801,327 must be filed with the undersigned prior to the time of sale. Bids must be unconditional except as to legality. Bids for the Certificates should be delivered to Northland Securities, Inc. and addressed to:

William Hanson, CFO/Executive Director of Business Services
ISD No. 709, Duluth
215 North 1st Avenue East
Duluth, Minnesota 55802

A good faith deposit (the "Deposit") in the amount of \$250,000 in the form of a federal wire transfer (payable to the order of the District) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Bids. The apparent winning bidder will receive notification of the wire instructions from the Financial Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the District may choose to reject their Bid and then proceed to offer the Certificates to the next lowest bidder based on the terms of their original bid, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The District will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Bid, said amount will be retained by the District. No Bid can be withdrawn after the time set for receiving Bids unless the meeting of the District scheduled for award of the Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made.

AWARD

The Certificates will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The District's computation of the interest rate of each Bid, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Certificates will be awarded by lot. The District will reserve the right to: (i) waive non-substantive informalities of any Bid or of matters relating to the receipt of Bids and award of the Certificates, (ii) reject all Bids without cause, and (iii) reject any Bid which the District determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Certificates necessary to compute the yield on the Certificates pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Resolution B-4-12-3007

April 24, 2012

OFFICIAL STATEMENT

By awarding the Certificates to any underwriter or underwriting syndicate submitting a Bid therefor, the District agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Certificates are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The District will covenant in the resolution awarding the sale of the Certificates and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the District, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

The District WILL NOT designate the Certificates as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CERTIFICATE INSURANCE AT UNDERWRITER'S OPTION

If the Certificates qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Certificates. Any increase in the costs of issuance of the Certificates resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the District has requested and received a rating on the Certificates from a rating agency, the District will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Certificates have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Certificates.

The District reserves the right to reject any and all Bids, to waive informalities and to adjourn the sale.

Dated: April 24, 2012

BY ORDER OF ISD NO. 709, DULUTH, MINNESOTA

/s/ William Hanson

CFO/Executive Director of Business Services

Additional information may be obtained from:
Northland Securities, Inc.
45 South 7th Street, Suite 2000
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900