

EXTRACT OF MINUTES OF A MEETING  
CITY COUNCIL OF THE  
CITY OF COLOGNE, MINNESOTA

HELD: November 7, 2016

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Cologne, Carver County, Minnesota, was duly held at the City Hall on November 7, 2016, at 7:00 P.M., for the purpose in part of awarding the sale of a \$7,715,623 General Obligation Water Revenue Note of 2016.

The following members were present: *Williams, Ewaski, Szarek, Meyer, McInnis*

and the following were absent:

Member *Jeff McInnis* introduced the following resolution and moved its adoption:

RESOLUTION ACCEPTING THE OFFER OF THE MINNESOTA PUBLIC FACILITIES  
AUTHORITY TO PURCHASE A \$7,715,623 GENERAL OBLIGATION WATER REVENUE  
NOTE OF 2016, PROVIDING FOR ITS ISSUANCE AND AUTHORIZING EXECUTION OF  
A BOND PURCHASE AND PROJECT LOAN AGREEMENT

A. WHEREAS, the City Council of the City of Cologne, Minnesota (the "City"), has heretofore applied for a loan from the Minnesota Public Facilities Authority (the "PFA") to provide financing pursuant to Minnesota Statutes, Chapters 444 and 475, for construction of a new water treatment plant to remove iron and manganese, addition of a new well and connecting watermain, all as detailed in the Minnesota Department of Health project certification, dated June 30, 2016 (the "Project"); and

B. WHEREAS, the PFA is authorized pursuant to Minnesota Statutes, Chapter 446A, as amended, to issue its bonds (the "PFA Bonds") and to use the proceeds thereof, together with certain other funds, to provide loans and other assistance to municipalities to fund eligible costs of construction of publicly owned drinking water systems in accordance with the Drinking Water Revolving Fund; and

C. WHEREAS, the City has applied for a loan from the PFA pursuant to such program and the PFA has committed to make a loan to the City in the principal amount of \$7,715,623, to be disbursed and repaid in accordance with the terms of a Minnesota Public Facilities Authority Bond Purchase and Project Loan Agreement dated October 12, 2016 (the "Project Loan Agreement"), a copy of which has been presented to the Council and is on file with the Administrator; and

D. WHEREAS, the \$7,715,623 General Obligation Water Revenue Note of 2016 (the "Note") of the City is tax-exempt, and in addition the City will need to assure the tax-exemption of the PFA Bonds; and

E. WHEREAS, in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(4), the City is authorized to issue obligations to a board, department or agency of

the State of Minnesota by negotiation and without advertisement for bids and the PFA is, and has represented that it is, a board, department or agency of the State of Minnesota; and

F. WHEREAS, the City owns and operates a municipal water system (the "System") and a municipal sanitary sewer system (the "Sewer System") as separate revenue producing public utilities; and

G. WHEREAS, the net revenues of the System are pledged to the payment of the City's outstanding \$839,216 original principal amount of General Obligation Water Revenue Note of 2014, dated October 29, 2014 (the "Outstanding Water Note");

H. WHEREAS, the net revenues of the System and the Sewer System are pledged to the payment of the City's outstanding \$8,020,000 original principal amount of General Obligation Refunding Bonds, Series 2013A, dated June 1, 2013 (the "Outstanding 2013A Bonds"); and

I. WHEREAS, a contract or contracts for the Project have been made by the City with the approval of the PFA and all other state and federal agencies of which approval is required:

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Cologne, Carver County, Minnesota, as follows:

1. Acceptance of Offer; Payment. The offer of the PFA to purchase a \$7,715,623 General Obligation Water Revenue Note of 2016 of the City (the "Note"), at the rate of interest hereinafter set forth, and to pay therefor the sum of \$7,715,623 as provided below, is hereby accepted, and the sale of the Note is hereby awarded to the PFA. Payment for the Note shall be disbursed in installments as eligible costs of the Project are reimbursed or paid, all as provided in the Project Loan Agreement.

2. Title; Date; Denomination; Interest Rates; Maturities. The Note shall be a fully registered negotiable obligation, shall be titled "General Obligation Water Revenue Note of 2016", shall be dated as of the date of delivery and shall be issued forthwith. The Note shall be in the principal amount of \$7,715,623, or so much thereof as shall be disbursed pursuant to the Project Loan Agreement, shall bear interest on so much of the principal amount of the Note as may be disbursed and remains unpaid until the principal amount of the Note has been paid or has been provided for, at the rate of 1.00% per annum (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Note is payable semi-annually on February 20 and August 20, commencing August 20, 2017. Interest starts accruing as of the date of the initial disbursement. Principal on the Note shall mature on August 20 of the years and in the installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2017	\$100,623	2032	\$262,000
2018	228,000	2033	264,000
2019	230,000	2034	267,000
2020	232,000	2035	270,000

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2021	235,000	2036	272,000
2022	237,000	2037	275,000
2023	239,000	2038	278,000
2024	242,000	2039	281,000
2025	244,000	2040	283,000
2026	247,000	2041	286,000
2027	249,000	2042	289,000
2028	251,000	2043	292,000
2029	254,000	2044	295,000
2030	257,000	2045	298,000
2031	259,000	2046	299,000

Interest shall accrue only on the aggregate amount of the Note which has been disbursed and is unpaid under the Project Loan Agreement. The principal installments shall be paid in the amounts scheduled above even if at the time of payment the full principal amount of the Note has not been disbursed; provided that if the full principal amount of the Note is never disbursed, the amount of the principal not disbursed shall be applied to reduce each unpaid principal installment in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule shall be reamortized to provide similarly level annual installments of total debt service payments). Principal, interest and any premium due under the Note will be paid on each payment date by wire payment, or by check or draft mailed at least five business days prior to the payment date to the person in whose name the Note is registered, in any coin or currency of the United States which at the time of payment is legal tender for public and private debts.

Interest on the Note includes amounts treated by the PFA as service fees.

3. Purpose; Cost. The proceeds of the Note shall provide funds to finance construction and acquisition of the Project. The total cost of the construction of the Project, including legal and other professional charges, publication and printing costs, interest accruing on money borrowed for the Project before the collection of net revenues pledged and appropriated therefor, and all other costs necessarily incurred and to be incurred from the inception to the completion of the Project, is estimated to be at least equal to the amount of the Note. The City covenants that it shall do all things and perform all acts required of it to assure that work on the Project proceeds with due diligence to completion and that any and all permits and studies required under law for the Project are obtained.

4. Redemption. The Note shall be subject to redemption and prepayment in whole or in part at the option of the City, subject to the consent of the PFA, or mandatorily as provided in the Project Loan Agreement. If redemption is in part, installments of principal payable last under the Note shall be prepaid first, unless the City and the holder of the Note agree to a different result.

5. Registration of Note. At the time of issuance and delivery of the Note, the officer of the City performing the functions of the treasurer (the "Treasurer") shall register the Note in

the name of the payee in a note register which the Treasurer and the officer's successors in office shall maintain for the purpose of registering the ownership of the Note. The Note shall be prepared for execution with an appropriate text and spaces for notation of registration. The force and effect of such registration shall be as stated in the form of Note hereinafter set forth. Payment of principal installments and interest, whether upon redemption or otherwise, made with respect to the Note, may be made to the registered holder thereof or to the registered holder's legal representative, without presentation or surrender of the Note.

6. Form of Note. The Note, together with the Certificate of Registration attached thereto, shall be in substantially the following form:

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF CARVER  
CITY OF COLOGNE

\$7,715,623 GENERAL OBLIGATION WATER REVENUE NOTE OF 2016

The City of Cologne, Carver County, Minnesota (the "City"), certifies that it is indebted and for value received promises to pay to the Minnesota Public Facilities Authority or the registered assign, the principal sum of SEVEN MILLION SEVEN HUNDRED FIFTEEN THOUSAND SIX HUNDRED TWENTY THREE DOLLARS, or so much thereof as may have been disbursed, on August 20 of the years and in the installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2017	\$100,623	2032	\$262,000
2018	228,000	2033	264,000
2019	230,000	2034	267,000
2020	232,000	2035	270,000
2021	235,000	2036	272,000
2022	237,000	2037	275,000
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2026	247,000	2041	286,000
2027	249,000	2042	289,000
2028	251,000	2043	292,000
2029	254,000	2044	295,000
2030	257,000	2045	298,000
2031	259,000	2046	299,000

and to pay interest on so much of the principal amount of the debt as may be disbursed and remains unpaid until the principal amount hereof is paid or has been provided for, at the rate of 1.00% per annum (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Note is payable semi-annually on February 20 and August 20, commencing August 20, 2017. Interest starts accruing as of the date of the initial disbursement.

Principal and Interest Payments. Interest shall accrue only on the aggregate amount of this Note which has been disbursed under the Minnesota Public Facilities Authority Bond Purchase and Project Loan Agreement dated as of October 12, 2016, by and between the City and the Minnesota Public Facilities Authority (the "Project Loan Agreement"). The principal installments shall be paid in the amounts scheduled above even if at the time of payment the full principal amount of this Note has not been disbursed; provided that if the full principal amount of this Note is never disbursed, the amount of the principal not disbursed shall be applied to reduce each unpaid principal installment in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule shall be reamortized to provide similarly level annual installments of total debt service payments). Interest on this Note includes amounts treated by the Minnesota Public Facilities Authority as service fees. Principal, interest and any premium due under this Note will be paid on each payment date by wire payment, or by check or draft mailed at least five business days prior to the payment date to the person in whose name this Note is registered, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Redemption. This Note is subject to redemption and prepayment in whole or in part at the option of the City, subject to the consent of the Minnesota Public Facilities Authority, or mandatorily as provided in the Project Loan Agreement. If redemption is in part, installments of principal payable last under this Note shall be prepaid first, unless the City and the holder of this Note agree to a different result.

Purpose; General Obligation. This Note has been issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota for the purpose of providing money to finance the construction of improvements to the municipal water system (the "System"), specifically for construction of a new water treatment plant to remove iron and manganese, addition of a new well and connecting watermain, all as detailed in the Minnesota Department of Health project certification, dated June 30, 2016 (the "Project"); and is payable out of the PFA Debt Service Account of the Water Fund of the City, to which account have been pledged net revenues of the System. This Note constitutes a general obligation of the City, and to provide moneys for the prompt and full payment of said principal installments and interest when the same become due, the full faith, credit and taxing powers of the City have been and are hereby irrevocably pledged.

Registration; Transfer. This Note shall be registered in the name of the payee on the books of the City by presenting this Note for registration to the Treasurer, who will endorse his or her name and note the date of registration opposite the name of the payee in the certificate of registration attached hereto. Thereafter this Note may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or the registered owner's legal representative, and the City may treat the registered owner as the person exclusively entitled to exercise all the rights and powers of an owner until this Note is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the Treasurer.



Fees Upon Transfer or Loss. The Treasurer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer of this Note and any legal or unusual costs regarding transfers and lost notes.

Project Loan Agreement. The terms and conditions of the Project Loan Agreement are incorporated herein by reference and made a part hereof. The Project Loan Agreement may be attached to this Note, and shall be attached to this Note if the holder of this Note is any person other than the Minnesota Public Facilities Authority.

Tax-Exempt Obligation. The City intends that the interest on this Note will be excluded from gross income for United States income tax purposes or from both gross income and taxable net income for State of Minnesota income tax purposes.

Qualified Tax-Exempt Obligation. This Note has been designated by the City as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed, precedent to and in the issuance of this Note, have been done, have happened and have been performed, in regular and due form, time and manner as required by law; that the City has covenanted and agreed with the holder of this Note that it will impose and collect charges for the service, use and availability of and connection to the System at the times and in amounts necessary to produce net revenues adequate to pay all principal and interest when due on this Note; that the City will levy a direct, annual, irrevocable ad valorem tax upon all of the taxable property in the City, without limitation as to rate or amount, for the years and in amounts sufficient to pay the installments of principal and interest on this Note as they respectively become due, if the net revenues from the System and any other revenues irrevocably appropriated to said PFA Debt Service Account are insufficient therefor; and that this Note, together with all other debts of the City outstanding on the date hereof, being the date of its actual issuance and delivery, does not exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of Cologne, Carver County, Minnesota, by its City Council has caused this Note to be executed on its behalf by the signatures of its Mayor and of its Administrator, and the corporate seal of the City having been intentionally omitted as permitted by law, all as of (do not date), 2016.

CITY OF COLOGNE, CARVER COUNTY,  
MINNESOTA

(DO NOT SIGN) \_\_\_\_\_  
Mayor

(DO NOT SIGN) \_\_\_\_\_  
Administrator

CERTIFICATE OF REGISTRATION

The transfer of ownership of the principal amount of the attached Note may be made only by the registered owner or his, her or its legal representative last noted below.

<u>DATE OF REGISTRATION</u>	<u>REGISTERED OWNER</u>	<u>SIGNATURE OF TREASURER</u>
(do not date)	Minnesota Public Facilities Authority Saint Paul, Minnesota Federal Employer Identification No. 41-6007162	(do not sign)



7. Execution. The Note shall be executed on behalf of the City by the signatures of its Mayor and Administrator; the seal of the City has been intentionally omitted as permitted by law. In the event of disability or resignation or other absence of either such officer, the Note may be signed by the manual signature of that officer who may act on behalf of such absent or disabled officer. In case either such officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as such officer had remained in office until delivery.

8. Delivery; Application of Proceeds. The Note when so prepared and executed shall be delivered by the Treasurer to the purchaser thereof prior to disbursements pursuant to the Project Loan Agreement, and the purchaser shall not be obliged to see to the proper application thereof.

9. Fund and Accounts. There has heretofore been created a separate fund in the City treasury designated the Water Fund (the "Fund"). The Administrator and all municipal officials and employees concerned therewith shall maintain financial records of the receipts and disbursements of the System in accordance with the resolutions establishing the Fund. The Operation and Maintenance Account heretofore established by the City for the System shall continue to be maintained in the manner heretofore provided by the City. All moneys remaining after paying or providing for the items set forth in the resolution establishing the Operation and Maintenance Account shall constitute and are referred to as "net revenues" until the Note has been paid. There shall be maintained in the Fund the following accounts:

(a) A "PFA Construction Account", to which shall be credited all proceeds received from the sale of the Note. The Note shall be the only source of moneys credited to the PFA Construction Account. It is recognized that the sale proceeds of the Note are received in reimbursement for costs expended on the Project or in direct payment of such costs, and that accordingly the moneys need not be placed in the PFA Construction Account upon receipt but may be applied immediately to reimburse the source from which the expenditure was made. The moneys in the PFA Construction Account shall be used solely for the purpose of paying for the cost of constructing the Project, including all costs enumerated in Minnesota Statutes, Section 475.65, provided that such moneys shall only be expended for costs and expenses which are permitted under the Project Loan Agreement. The PFA prohibits the use of proceeds of the Note to reimburse costs initially paid from proceeds of other obligations of the City unless otherwise specifically approved. Upon completion of the Project and the payment of the costs thereof, any surplus shall be transferred to the PFA Debt Service Account.

(b) A "PFA Debt Service Account", to which shall be irrevocably appropriated, pledged and credited: (i) net revenues of the System in an amount sufficient to pay the principal of, and interest on, the Note when due; (ii) any collection of taxes which may hereafter be levied in the event the net revenues of the System herein pledged for the payment of the Note are insufficient therefor; (iii) all investment earnings on moneys held in the PFA Debt Service Account; (iv) any amounts transferred from the PFA Construction Account; and (v) any other moneys which are properly available and are appropriated by the City Council to the PFA Debt Service Account. The moneys in the PFA Debt Service Account shall be used only to pay or prepay the principal of, and

interest on, the Note and any other general obligation bonds hereafter issued and made payable from the PFA Debt Service Account, and to pay any rebate due to the United States with respect to the PFA Bonds in connection with the Note.

No portion of the proceeds of the Note shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (1) for a reasonable temporary period until such proceeds are needed for the purpose for which the Note was issued, and (2) in addition to the above in an amount not greater than the lesser of five percent of the proceeds of the Note or \$100,000. To this effect, any proceeds of the Note or any sums from time to time held in the PFA Construction Account, Operation and Maintenance Account or PFA Debt Service Account (or any other City account which will be used to pay principal or interest to become due on the Note) in excess of amounts which under then applicable federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. In addition, moneys in the Fund shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Note to be "federally guaranteed" within the meaning of Section 149(b) of the federal Internal Revenue Code of 1986, as amended (the "Code").

The City shall observe the covenants of paragraphs 16, 17 and 18 of this resolution and of Article III of the Project Loan Agreement with regard to the Fund.

10. Coverage Test; Pledge of Net Revenues; Excess Revenues. It is hereby found, determined and declared that the net revenues of the System are sufficient in amount to pay when due the principal of and interest on the Note and the Outstanding Water Note and a sum at least five percent in excess thereof and together with the net revenues of the Sewer System are sufficient to pay the Outstanding 2013A Bonds and a sum at least five percent in excess thereof, and the net revenues of the System are hereby pledged on a parity lien with the Outstanding Water Note and the Outstanding 2013A Bonds, but solely to the extent required to meet, together with other pledged sums, the principal and interest requirements of the Note. Excess net revenues may be used for any proper purpose. Nothing contained herein shall be deemed to preclude the City from making further pledges and appropriations of the net revenues of the System for the payment of other or additional obligations of the City, provided that it has first been determined by the City Council that estimated net revenues of the System will be sufficient, in addition to all other sources, for the payment of the Note and such additional obligations, and any such pledge and appropriation of net revenues may be made superior or subordinate to, or on a parity with, the pledge and appropriation herein. Net revenues in excess of those required for the foregoing may be used for any proper purpose.

11. Pledge to Produce Revenues. In accordance with Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the holder of the Note that it will impose and collect charges for the service, use and availability of and connection to the System at the times and in the amounts required to produce net revenues adequate to pay, together with other pledged sums, all principal and interest when due on the Note.

12. General Obligation Pledge. For the prompt and full payment of the principal and interest on the Note, as the same respectively become due, the full faith, credit and taxing powers of the City shall be and are hereby irrevocably pledged. If the net revenues of the System appropriated and pledged to the payment of principal and interest on the Note, together with other funds irrevocably appropriated to the PFA Debt Service Account shall at any time be insufficient to pay such principal and interest when due, the City covenants and agrees to levy, without limitation as to rate or amount, an ad valorem tax upon all taxable property in the City sufficient to pay such principal and interest as they become due. If the balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Note and any other obligations payable therefrom, the deficiency shall be promptly paid out of any other funds of the City which are available for such purpose, and such other funds may be reimbursed with or without interest from the PFA Debt Service Account when a sufficient balance is available therein.

13. Certificate of Registration. The Administrator is hereby directed to file a certified copy of this resolution with the County Auditor of Carver County, Minnesota, together with such other information as the County Auditor shall require, and to obtain the County Auditor's certificate that the Note has been entered in the County Auditor's Bond Register.

14. Project Loan Agreement. The Project Loan Agreement is hereby approved in substantially the form presented to the City Council, and in the form executed is hereby incorporated by reference and made a part of this resolution. Each and all of the provisions of this resolution relating to the Note are intended to be consistent with the provisions of the Project Loan Agreement, and to the extent that any provision in the Project Loan Agreement is in conflict with this resolution as it relates to the Note, that provision shall control and this resolution shall be deemed accordingly modified. The Mayor and Administrator are hereby authorized and directed to execute the Project Loan Agreement. The execution of the Project Loan Agreement by the appropriate officers shall be conclusive evidence of the approval of the Project Loan Agreement in accordance with the terms hereof. The Project Loan Agreement may be attached to the Note, and shall be attached to the Note if the holder of the Note is any person other than the PFA.

15. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the PFA, and to the attorneys approving the legality of the issuance of the Note, certified copies of all proceedings and records of the City relating to the Note and to the financial condition and affairs of the City, and such other affidavits, certificates and information as are required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

16. Negative Covenants as to Use of Proceeds and Project. The City hereby covenants not to use the proceeds of the Note or to use the Project, or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the Project, in such a manner as to cause the Note to be a "private activity bond" within the meaning of Sections 103 and 141 through 150 of the Code. The City reasonably expects that no actions will be taken over the term of the Note that would cause it to be a private activity bond, and the average term of the

Note is not longer than reasonably necessary for the governmental purpose of the issue. The City hereby covenants not to use the proceeds of the Note in such a manner as to cause the Note to be a "hedge bond" within the meaning of Section 149(g) of the Code.

The City hereby covenants not to use the proceeds of the Note or to use the Project, or to cause or permit them to be used, or to enter into any deferred payment arrangement for the cost of the Project, in such a manner as to cause the PFA Bonds to be "private activity bonds" within the meaning of Sections 103 and 141 through 150 of the Code. The City reasonably expects that it will take no actions over the term of the Note that would cause the PFA Bonds to be private activity bonds, and the average term of the Note is not longer than reasonably necessary for its governmental purpose.

17. Tax-Exempt Status of the Note; Rebate. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Note, including without limitation (a) requirements relating to temporary periods for investments, (b) limitations on amounts invested at a yield greater than the yield on the Note, and (c) the rebate of excess investment earnings to the United States. The City expects to satisfy the twenty four month expenditure exemption for gross proceeds of the Note as provided in Section 1.148-7(d)(1) of the Regulations. If any elections are available now or hereafter with respect to arbitrage or rebate matters relating to the Note, the Mayor, the Administrator, or either of them, are hereby authorized and directed to make such elections as they deem necessary, appropriate or desirable in connection with the Note, and all such elections shall be, and shall be deemed and treated as, elections of the City.

18. Tax-Exempt Status of the PFA Bonds; Rebate. The City with respect to the Note shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the PFA Bonds, including without limitation (a) requirements relating to temporary periods for investments, (b) limitations on amounts invested at a yield greater than the yield on the PFA Bonds, and (c) the rebate of excess investment earnings to the United States. The City covenants and agrees with the PFA and holders of the Note that the investments of proceeds of the Note, including the investment of any revenues pledged to the Note which are considered gross proceeds of the PFA Bonds under the applicable regulations, and accumulated sinking funds, if any, shall be limited as to amount and yield in such manner that the PFA Bonds shall not be arbitrage bonds within the meaning of Section 148 of the Code and any regulations thereunder. On the basis of the existing facts, estimates and circumstances, including the foregoing findings and covenants, the City hereby certifies that it is not expected that the proceeds of the Note will be used in such manner as to cause the PFA Bonds to be arbitrage bonds under Section 148 of the Code and any regulations thereunder. The Mayor and Administrator shall furnish a certificate to the PFA embracing or based on the foregoing certification at the time of delivery of the Note to the PFA. The proceeds of the Note will likewise be used in such manner that the Note is not a private activity bond under Section 103(b) of the Code.



19. Designation of Qualified Tax-Exempt Obligation. In order to qualify the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code, the City hereby makes the following factual statements and representations:

- (a) the Note is issued after August 7, 1986;
- (b) the Note is not a "private activity bond" as defined in Section 141 of the Code;
- (c) the City hereby designates the Note as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code;
- (d) 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 City (and all entities treated as one issuer with the City, and all subordinate entities whose obligations are treated as issued by the City) during this calendar year 2016 will not exceed \$10,000,000;
- (e) not more than \$10,000,000 of obligations issued by the City during this calendar year 2016 have been designated for purposes of Section 265(b)(3) of the Code; and
- (f) the aggregate face amount of the Note does not exceed \$10,000,000.

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

20. Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

21. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

The motion for the adoption of the foregoing resolution was duly seconded by member Carol Scroletta and, after full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof: Williams, Meyer, Ewinski, McInnis, Scroletta

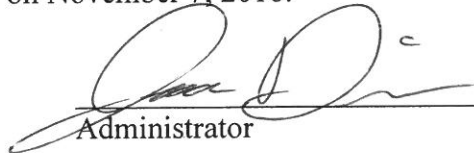
and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.

STATE OF MINNESOTA  
COUNTY OF CARVER  
CITY OF COLOGNE

I, the undersigned, being the duly qualified and acting Administrator of the City of Cologne, Minnesota DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council, duly called and held on the date therein indicated, insofar as such minutes relate to the \$7,715,623 General Obligation Water Revenue Note of 2016.

WITNESS my hand and City's seal on November 7, 2016.

  
\_\_\_\_\_  
Administrator

(SEAL)