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Title:	RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF GENERAL OBLIGATION DECC IMPROVEMENT BONDS, SERIES 2018A, IN THE APPROXIMATE AMOUNT OF \$4,400,000; ESTABLISHING THE TERMS AND FORM THEREOF; CREATING A DEBT SERVICE FUND THEREFOR; AND PROVIDING FOR AWARDEDING THE SALE THEREOF.		

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Attachments: 1. Exhibit A, 2. Exhibit B, 3. Exhibit C

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RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF GENERAL OBLIGATION DECC IMPROVEMENT BONDS, SERIES 2018A, IN THE APPROXIMATE AMOUNT OF \$4,400,000; ESTABLISHING THE TERMS AND FORM THEREOF; CREATING A DEBT SERVICE FUND THEREFOR; AND PROVIDING FOR AWARDEDING THE SALE THEREOF.

CITY PROPOSAL:

BE IT RESOLVED, by the City Council (the “City Council”) of the city of Duluth, St. Louis County, Minnesota (the “City”), as follows:

Section 1. Purpose and Authorization.

1.01 The City and the Minnesota Pollution Control Agency (the “MPCA”) have proposed a project (i) to repair the dock wall on the west and north sides of Minnesota Slip and a portion of the harbor dock wall (the “Phase I Project”) located in the area under the control of the Duluth Entertainment and Convention Center Authority (the “Authority”); and (ii) to cap the contaminants in Minnesota Slip (the “Phase II Project”) (the Phase I Project and the Phase II Project as collectively the “Project”).

1.02 The City and the MPCA have proposed entering into a joint powers agreement under which the City will construct the Phase I Project, the MPCA will provide the City a grant in at least the amount of \$2,155,660 for the Phase I Project and the MPCA will construct and pay for the Phase II Project. The Phase II Project cannot be constructed without the construction of the Phase I Project.

1.03 (a) Under and pursuant to the provisions of Minnesota Laws 1974, Chapter 130, Minnesota Statutes, Chapter 475 and all other enabling statutes, the City is authorized to issue its

general obligation bonds to provide the funds necessary to match state, private and federal grants for projects within the City's boundaries, which bonds are to be payable from annual ad valorem taxes or other revenues of the City.

(b) The city council has, by the ordinance adopted on November 20, 2017, authorized the issuance and sale of general obligation DECC improvement bonds in an amount not to exceed \$5,000,000 for the purpose of providing the local match of state grant funds in at least the amount of \$2,155,660 (the "Grant") to pay part of the costs associated with the Phase I Project.

(c) Pursuant to the authority herein recited, the City authorizes and directs the issuance and sale of General Obligation DECC Improvement Bonds, Series 2018A (the "Bonds" or the "2018 Bonds"), in the approximate amount of \$4,400,000 to provide the City's match for the Grant for the Project. The sale of the Bonds shall be contingent upon favorable market conditions, as determined by the chief administrative officer or by the chief financial officer, as further described below.

1.04 The City Council hereby finds and determined as follows:

(a) The Bonds shall be dated the date of issuance and shall bear interest at the rates determined by the successful bidder. Interest shall be payable on February 1 and August 1 (each an "Interest Payment Date") commencing on August 1, 2018.

(b) The Bonds shall mature on the dates and in the amounts set forth in the Official Terms and Conditions of Bond Sale attached hereto as Exhibit A (as may be adjusted) and as described in a Certificate as to Terms of Bond Sale and Levy of Taxes to be executed by the chief financial officer; provided, however, the total amount of the Bonds shall not exceed \$5,000,000, subject to adjustment for a premium sale price as permitted by Section 475.60 of the Act and the final maturity of the Bonds shall not be later than February 1, 2034. The City, through the chief administrative officer, reserves the right to issue or to not issue the Bonds based on applicable market conditions.

1.05 The Official Terms and Conditions of Bond Sale as set forth on Exhibit A hereto are approved, subject to the changes permitted below. Bids for the Bonds will be received on a date and time determined by the chief administrative officer on the terms and conditions set forth in the Official Terms and Conditions of Bond Sale, which terms and conditions may be modified by the chief administrative officer after consulting with the City's municipal advisor, based on market conditions, so long as the sale of the Bonds occurs on or before May 1, 2018, and so long as the true interest cost of the Bonds does not exceed 4.5%. As authorized by Section 475.60 of the Act, the City Council hereby delegates to the chief administrative officer and the chief financial officer, or either of them, authority to consider the bids and award the sale of the Bonds, and upon acceptance of the best bid meeting the requirements of this resolution, the chief administrative officer and the chief financial officer, or either of them, shall execute on behalf of the City an agreement to sell the Bonds to the successful bidder.

1.06 The City has retained PFM Financial Advisors LLC, Minneapolis, Minnesota ("PFM"), as an independent municipal advisor to the City, and pursuant to Section 475.60, Subd. 2, paragraph (9) of the Act, PFM is hereby authorized to solicit bids for the sale of the Bonds on behalf of the City in accordance with the directions of the chief administrative officer.

1.07 The City staff, in cooperation with PFM, is authorized and directed to prepare on behalf of the City an official statement for the sale of the Bonds and to obtain ratings of the Bonds.

Section 2. Terms of Bonds.

2.01 (a) The Bonds maturing in the years 2019 through 2028 shall not be subject to optional redemption and prepayment before maturity, but those maturing in the year 2029 and in subsequent years shall each be subject to redemption and prepayment at the option of the City on February 1, 2028, and on any date thereafter, in whole or in part, and if in part, in such order of maturities as selected by the City and by lot as to the Bonds maturing in the same year, at a price equal to the principal amount thereof plus accrued interest to the redemption date.

(b) In the event any of the Bonds are called for redemption, notice thereof identifying the Bonds to be redeemed will be given by the Bond Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) at least 30 days but not more than 60 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books kept by the Bond Registrar; provided however, that so long as the Bonds are registered in the name of Cede & Co. as nominee of The Depository Trust Company, Jersey City, New Jersey ("DTC"), notice of redemption shall be given in accordance with the terms of the Representation Letter hereinafter described. Failure to give notice by mail to any registered owner, or any defect therein, will not affect the validity of any proceeding for the redemption of Bonds not affected by such defect or failure. Bonds 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.

(c) If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the City or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest.

2.02 Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to the rules of the municipal securities rulemaking board. The Bond Registrar designated below shall make all interest payments with respect to the Bonds by check or draft mailed to the registered owners of the Bonds shown on the bond registration records maintained by the Bond Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding the Interest Payment Date at such owners' addresses shown on such bond registration records.

2.03 (a) The Bonds shall be prepared for execution in accordance with the approved form and shall be signed by the manual or facsimile signature of the mayor and attested by the manual or facsimile signature of the city clerk. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be an officer before delivery of the Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, as if he or she had remained in office until delivery.

(b) The city clerk is authorized and directed to obtain a copy of the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A. of Duluth, Minnesota, and cause the opinion to be attached to each Bond.

2.04 The City hereby appoints U.S. Bank National Association, in St. Paul, Minnesota, as registrar, authenticating agent, paying agent and transfer agent for the Bonds (such bank or its successor is herein referred to as the "Bond Registrar"). To provide for the Bond Registrar services, the mayor and the clerk are authorized and directed to execute an agreement relating to paying agent, registrar and transfer agency substantially in the form of Exhibit B attached hereto. No Bond shall be valid or obligatory for any purpose until the Bond Registrar's authentication certificate on such Bond, substantially set forth in Section 2.11 hereof, shall have been duly executed by an authorized representative of the Bond Registrar. Authentication certificates on different Bonds need not be signed by the same representative. The manual signature of one officer of the City or the executed authentication certificate on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution.

2.05 (a) In order to make the Bonds eligible for the services provided by DTC, the City has previously agreed to the applicable provisions set forth in the blanket issuer letter of representations which has been executed by the City and DTC (the "Representation Letter").

(b) Notwithstanding any provision herein to the contrary, so long as the Bonds shall be in Book-Entry Form, the provisions of this Section 2.05 shall govern.

(c) All of the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on and principal of any Bond registered in the name of Cede & Co. shall be made by wire transfer or New York Clearing House or equivalent same day funds by 10:00 a.m. CT or as soon as possible thereafter following the Bond Registrar's receipt of funds from the City on each Interest Payment Date to the account of Cede & Co. on each Interest Payment Date at the address indicated in or pursuant to the Representation Letter.

(d) DTC (or its nominees) shall be and remain recorded on the Bond Register as the holder of all Bonds which are in Book-Entry Form. No transfer of any Bond in Book-Entry Form shall be made, except from DTC to another depository (or its nominee) or except to terminate the Book-Entry Form. All Bonds of such stated maturity of any Bonds in Book-Entry Form shall be issued and remain in a single bond certificate registered in the name of DTC (or its nominee); provided, however, that upon termination of the Book-Entry Form pursuant to the Representation Letter, the City shall, upon delivery of all Bonds of such series from DTC, promptly execute, and the Bond Registrar shall thereupon authenticate and deliver, Bonds of such series to all persons who were beneficial owners thereof immediately prior to such termination; and the Bond Registrar shall register such beneficial owners as holders of the applicable Bonds.

The Bond Registrar shall maintain accurate books and records of the principal balance, if any, of each such outstanding Bond in Book-Entry Form, which shall be conclusive for all purposes whatsoever. Upon the authentication of any new bond in Book-Entry Form in exchange for a previous bond, the Bond Registrar shall designate thereon the principal balance remaining on such bond according to the Bond Registrar's books and records.

No beneficial owner (other than DTC) shall be registered as the holder on the Bond

Register for any Bond in Book-Entry Form or entitled to receive any bond certificate. The beneficial ownership interest in any Bond in Book-Entry Form shall be recorded, evidenced and transferred solely in accordance with the Book-Entry System.

Except as expressly provided to the contrary herein, the City and the Bond Registrar may treat and deem DTC to be the absolute owner of all Bonds of each series which are in Book-Entry Form (i) for the purpose of payment of the principal of and interest on such Bond, (ii) for the purpose of giving notices hereunder, and (iii) for all other purposes whatsoever.

(e) The City and the Bond Registrar shall each give notices to DTC of such matters and at such times as are required by the Representation Letter, including the following:

(i) with respect to notices of redemption; and

(ii) with respect to any other notice required or permitted under this Bond Resolution to be given to any holder of a Bond.

All notices of any nature required or permitted hereunder to be delivered to a holder of a Bond in Book-Entry Form shall be transmitted to beneficial owners of such Bonds at such times and in such manners as shall be determined by DTC, the participants and indirect participants in accordance with the Book-Entry System and the Representation Letter.

(f) All payments of principal, redemption price of and interest on any Bonds in Book-Entry Form shall be paid to DTC (or Cede & Co.) in accordance with the Book-Entry System and the Representation Letter in same day funds by wire transfer.

2.06 The City shall cause to be kept by the Bond Registrar a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the City shall provide for the registration of the Bonds and the registration of transfers of the Bonds entitled to be registered or transferred as herein provided. In the event of the resignation or removal of the Bond Registrar or its incapability of acting as such, the bond registration records shall be maintained at the office of the successor Bond Registrar as may be appointed by the City Council. Upon surrender for transfer of any Bond at the principal corporate office of the Bond Registrar, the City shall execute and the Bond Registrar shall authenticate, if required by law or this Resolution, and deliver, in the name(s) of the designated transferee or transferees, one or more new Bonds of the like aggregate principal amount, as requested by the transferor.

2.07 Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all of the rights to interest, accrued and unpaid and to accrue, which are carried by such other Bond. Each Bond shall be dated by the Bond Registrar as of the date of its authentication. The City and the Bond Registrar shall not be required to make any transfer or exchange of any Bonds called for redemption or to make any such exchange or transfer of the Bonds during the 15 days next preceding the date of the mailing of the notice of redemption in the case of a proposed redemption of the Bonds.

2.08 The City and the Bond Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and interest on such Bond and for all other purposes whatsoever, whether or not such Bond be overdue, and neither the City nor the Bond Registrar shall be affected by notice to the contrary.

2.09 The principal of and interest on the Bonds shall be payable by the Bond Registrar, as paying agent, in such funds as are legal tender for the payment of debts due the United States of America. The City shall pay the reasonable and customary charges of the Bond Registrar for the disbursement of principal and interest.

2.10 Delivery of the Bonds and payment of the purchase price shall be made at a place mutually satisfactory to the City and the purchaser. Printed or typewritten and executed Bonds shall be furnished by the City without cost to the purchaser. The Bonds, when prepared in accordance with this Resolution and executed, shall be delivered by or under the direction of the treasurer to the purchaser upon receipt of the purchase price plus accrued interest.

2.11 The Bonds shall be printed or typewritten in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ST. LOUIS
CITY OF DULUTH

GENERAL OBLIGATION DECC IMPROVEMENT BOND, SERIES 2018A

R-_____ \$_____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	February 1, _____	January __, 2018	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of Duluth, in St. Louis County, Minnesota (the "City"), for value received, promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above on the maturity date specified above, and to pay interest on said principal amount to the registered owner hereof from the Date of Original Issue, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, until the principal amount is paid or discharged, said interest being at the rate per annum specified above. Interest is payable semiannually on February 1 and August 1 of each year (each referred to herein as an "Interest Payment Date") commencing on August 1, 2018. Both principal and interest are payable in lawful money of the United States of America by check or draft at the office of U.S. Bank National Association, in St. Paul, Minnesota, as the registrar, paying agent, transfer agent and authenticating agent (the "Bond Registrar"), or at the office of such successor bond registrar as may be designated by the City Council. The Bond Registrar shall make the interest payment with respect to this Bond directly to the registered owner hereof shown on the bond registration records maintained on behalf of the City by the Bond Registrar at the close of business on the 15th day of the month next preceding the Interest Payment Date (whether or not a business day), at such owner's address shown on said bond registration records, without, except for payment of principal on the Bond, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the City to the extent of the payments so made. Payment of principal shall be made upon presentation and surrender of this Bond to the Bond Registrar when due. For the prompt and full payment of such principal and

interest as they become due, the full faith and credit of the City are irrevocably pledged.

This Bond is one of a series issued by the City in the aggregate amount of \$_____, all of like date and tenor, except as to number, amount, maturity date, redemption privilege and interest rate, pursuant to the authority contained in Minnesota Laws 1974, Chapter 130, Minnesota Statutes, Chapter 475, the City Charter and all other laws thereunto enabling, and pursuant to an authorizing resolution adopted by the governing body of the City on November 20, 2017, and the award of the sale of the Bonds by the Chief Administrative Officer and the Chief Financial Officer of the City, as evidenced by the Certificate as to Terms of Bond Sale and Levy of Taxes dated January __, 2018 (collectively, the "Resolution"). This Bond is issued for the purpose of providing funds for a project to repair the dock wall on the west and north sides of Minnesota Slip and a portion of the harbor dock wall, each adjacent to the Duluth Entertainment and Convention Center, and the costs of issuing the Bonds, as more fully set forth in the Resolution and for the payment of part of the interest cost of the Bonds. The City has levied a direct, annual ad valorem tax upon all taxable property within the City which shall be extended upon the tax rolls for the years and in the amounts sufficient to produce sums not less than five percent in excess of the amounts of principal and interest on the Bonds, as such principal and interest respectively come due.

The Bonds maturing in the years ____ and ____ (the "Term Bonds") shall be subject to mandatory redemption and redeemed in installments as provided in the Resolution, at par plus accrued interest to the date of redemption.

The Bonds of this series maturing in the years 2019 through 2028 are not subject to redemption before maturity, but those maturing in the year 2029 and in subsequent years are each subject to redemption and prepayment at the option of the City on February 1, 2028, and on any date thereafter upon 30 days' notice, in whole or in part, and if in part, in such order of maturities as selected by the City, and by lot as to Bonds maturing in the same year, at a price equal to the principal amount plus accrued interest to the redemption date.

Not less than 30 nor more than 60 days prior to the date fixed for redemption and prepayment of any Bonds, notice of redemption shall be mailed to each registered owner of a Bond to be redeemed; provided, however, that so long as the Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, Jersey City, New Jersey ("DTC"), notice of redemption shall be given in accordance with the terms of the Blanket Issuer Letter of Representations executed by the City and DTC.

If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the City or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest. If any Bond is redeemed in part, upon surrender of the Bond being redeemed, the City shall deliver or cause to be delivered to the registered owner of such Bond, a Bond in like form in the principal amount equal to that portion of the Bond so surrendered not being redeemed.

The Bonds of this series are issued as fully registered bonds without coupons, in the

denomination of \$5,000 or any integral multiple thereof. Subject to limitations set forth in the Resolution, this Bond is transferable by the registered owner hereof upon surrender of this Bond for transfer at the principal corporate office of the Bond Registrar, duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Bond Registrar and executed by the registered owner hereof or the owner’s attorney duly authorized in writing. Thereupon the City shall execute and the Bond Registrar shall authenticate, if required by law and the Resolution, and deliver, in exchange for this Bond, one or more new fully registered bonds in the name of the transferee, of an authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of this Bond, of the same maturity and bearing interest at the same rate.

IT IS CERTIFIED AND RECITED that all acts and conditions required by the Charter of the City and by the laws and the Constitution of the State of Minnesota to be done, and to exist precedent to and in the issuance of this Bond in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done and do exist in form, time, and manner as so required; that all taxable property within the corporate limits of the City is subject to the levy of ad valorem taxes to the extent needed to pay the principal hereof and the interest hereon when due, without limitation as to rate or amount; and that the issuance of this Bond does not cause the indebtedness of the City to exceed any constitutional, statutory or charter limitation.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Bond Registrar’s Authentication Certificate hereon shall have been executed by the Bond Registrar by one of its authorized representatives.

IN WITNESS WHEREOF, the City of Duluth, by its City Council, has caused this Bond to be executed in its name by the manual or facsimile signatures of the mayor and the city clerk.

Attest:

City Clerk

Mayor

Date of Authentication: _____

BOND REGISTRAR’S AUTHENTICATION CERTIFICATE

The Bond Registrar confirms that the books reflect the ownership of the Bond registered in the name of the owner named above, in the principal amount and maturing on the date stated above, and this Bond is one of the Bonds of the series issued pursuant to the Resolution hereinabove described.

U.S. BANK NATIONAL ASSOCIATION
St. Paul, Minnesota

By _____
Authorized Representative

REGISTRATION CERTIFICATE

This Bond must be registered as to both principal and interest in the name of the owner on the

books to be kept by U.S. Bank National Association of St. Paul, Minnesota, as Bond Registrar. No transfer of this Bond shall be valid unless made on said books by the registered owner or the owner's attorney thereunto duly authorized and similarly noted on the registration books. The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of U.S. Bank National Association, as Bond Registrar, in the name of the registered owner last noted below.

<u>Date</u> 1/___/2018	<u>Registered Owner</u> Cede & Co. c/o The Depository Trust Company 570 Washington Blvd. Jersey City, NJ 07310 Federal Taxpayer I.D. No.: 13-2555119	<u>Signature of Bond Registrar</u> _____
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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto

(Name and Address of Assignee)

 Social Security or Other
 Identifying Number of
 Assignee

the within Bond and all rights thereunder and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____.

NOTICE: The signature of this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

(Bank, Trust Company, member of
National Securities Exchange)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY

TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

Section 3. Revenues, Accounts and Covenants.

3.01 The City has created a separate construction account designated the 2018 DECC Improvement Bonds Construction Account (the "Construction Account") within its Capital Improvement Project Fund 450, Agency 030, to which there shall be credited the proceeds of the 2018 Bonds, less discount, together with any additional funds, which may be available and are appropriated for the Phase I Project. This account shall be used to pay, or reimburse, expenses duly approved and allowed, which, under generally accepted accounting principles, constitute capital expenditures for the Phase I Project and to pay the costs of issuance for the 2018 Bonds.

3.02 A separate debt service account is hereby created and designated as the "2018 DECC Improvement Bonds Debt Service Account" (the "Debt Service Fund") within the City's debt service fund. The money in the Debt Service Fund shall be used for no purpose other than the payment of principal and interest on the 2018 Bonds; provided, however, that if any payment of principal or interest shall become due when there is not sufficient money in the Debt Service Fund, the treasurer shall pay the same from any other funds of the City and said funds shall be reimbursed for such advance out of the proceeds of the taxes hereinafter levied when collected. Into the Debt Service Fund shall be credited the rounding amount, the amount of accrued interest paid by the Purchaser upon closing and delivery of the 2018 Bonds, if any, and the ad valorem taxes levied pursuant to Section 3.03 hereof.

3.03 (a) The full faith and credit and taxing power of the City are hereby irrevocably pledged for the prompt and full payment of the principal of and interest on the 2018 Bonds, as such principal and interest respectively become due. To provide monies for the payment of the principal and interest on the 2018 Bonds, there is hereby levied a direct, annual ad valorem tax upon all taxable property within the City which shall be extended upon the tax rolls and collected with and part of the other general property taxes of the City. Said levies are such that if collected in full they will produce at least five percent in excess of the amount needed to meet when due the principal and interest on the 2018 Bonds.

Such tax levies shall be irrevocable as long as any of the 2018 Bonds issued hereunder are outstanding and unpaid; provided, however, that prior to approval of its budget each year (approximately December 1) while any 2018 Bonds issued hereunder remain outstanding, the City Council shall reduce or cancel the above levies to the extent of an irrevocable appropriation to the Debt Service Fund of monies actually on hand for payment of the principal and interest payable in the ensuing year and shall direct the county auditor to reduce the levy for such calendar year by that amount.

(b) If the balance in the Debt Service Fund is ever insufficient to pay all principal and interest then due on the 2018 Bonds, the treasurer shall nevertheless provide sufficient money from any other funds of the City which are available for that purpose, and such other funds shall be reimbursed from the Debt Service Fund when the balance therein is sufficient.

3.04 (a) In connection with the issuance of the City's General Obligation DECC Improvement Bonds, Series 2008A, dated August 7, 2008 (the "2008 Bonds") issued to finance the

Amsoil Arena, the City and the Duluth Entertainment and Convention Center Authority (the "Authority") entered into a Pledge Agreement dated as of August 7, 2008 (the "2008 Pledge Agreement"). The 2008 Bonds have been refunded by the General Obligation DECC Improvement Refunding Bonds, Series 2016A, dated March 22, 2016 (the "2016 Bonds"). All essential terms and conditions of the 2008 Pledge Agreement, including the Authority's pledge of DECC Lodging Tax, as hereinafter defined, and its other revenues for payment of a portion of the principal of and interest on the 2008 Bonds and the 2016 Bonds (as a refunding of the 2008 Bonds), when due, are hereby confirmed and made a part of this resolution.

(b) The City imposes the 3% excise tax on lodging within the City pursuant to Section 54(D) of the city charter (the "Lodging Tax"). 65% of the Lodging Tax is dedicated to be used for the support and maintenance of the Arena-Auditorium of Duluth (i.e. the Duluth Entertainment Convention Center) (the "DECC Lodging Tax"). The Authority has requested and agreed in the 2008 Pledge Agreement that the City shall retain and use so much of the DECC Lodging Tax as is necessary, when combined with the 0.75% Food and Beverage Tax revenues, to pay the principal of and interest on the 2008 Bonds and the 2016 Bonds when due.

(c) The City and the Authority will also enter into a Pledge Agreement to be dated the date of issuance of the 2018 Bonds (the "2018 Pledge Agreement") under which, subject to the prior pledge under the 2008 Pledge Agreement, available DECC Lodging Taxes are to be appropriated by the City Council to the Debt Service Fund for the 2018 Bonds to cancel all or a portion of an annual debt service levy set forth in Section 3.03(a) of this resolution, to the extent of available DECC Lodging Taxes.

(d) The City has created Fund No. 281 (the "DECC Revenue Fund"), which is the City's fund to account for the Authority's revenues received pursuant to the 2008 Pledge Agreement and the 2018 Pledge Agreement. The City shall deposit the DECC Lodging Tax, and other revenues of the Authority paid pursuant to the 2008 Pledge Agreement and the 2018 Pledge Agreement, in the DECC Revenue Fund. Sums from the DECC Revenue Fund are available for the following purposes: (i) first for payment (including prepayments) of principal of and interest on the 2008 Bonds and the 2016 Bonds; (ii) second for payment of the principal of and interest on the 2018 Bonds (including prepayments); (iii) third for reimbursement to the Authority for payments of amounts by the Authority to the City in excess of those listed as "UMD Lease Revenue" and the "Authority Contribution" on Exhibit C of the 2008 Pledge Agreement, all in accordance with Section 2.2 of the 2008 Pledge Agreement; and (iv) fourth for payment of capital improvements to the Duluth Entertainment Convention Center, subject to approval of the city council.

3.05 Proceeds of the 2018 Bonds on deposit in the Construction Account and in the Debt Service Fund may, in the discretion of the city treasurer, be invested in securities permitted by Minnesota Statutes, Chapter 118A; provided, that any such investment shall mature at such time and in such amounts as will permit the payment of costs for the improvement program and/or payment of the principal and interest on the 2018 Bonds when due.

Section 4. Tax Covenants; Miscellaneous.

4.01 The City Council covenants and agrees with the holders of the Bonds that the City will (i) take all action on its part necessary to cause the interest on the Bonds to be excluded from gross income for federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereon, making

required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Bonds to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes.

4.02 (a) No portion of the proceeds of the Bonds 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 for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued. To this effect, any proceeds of the Bonds and any sums from time to time held in the Debt Service Fund (or any other City account which will be used to pay principal and interest to become due on the Bonds) in excess of amounts which under the applicable federal arbitrage regulations may be invested without regard as to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by the arbitrage regulations on such investments after taking into account any applicable temporary periods of minor portion made available under the federal arbitrage regulations.

(b) In addition, the proceeds of the Bonds and money in the Debt Service 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 Bonds to be federally guaranteed within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

(c) The City hereby covenants not to use the proceeds of the Bonds, or to cause or permit them to be used, in such a manner as to cause the Bonds to be "private activity bonds" within the meaning of Sections 103 and 141 through 150 of the Code.

4.03 (a) The City covenants and agrees with the holders of the Bonds that the City will (a) take all action on its part necessary to assure that the interest on the Bonds to be executed from gross income for federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (b) refrain from taking any action which would cause interest on the Bonds to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes.

(b) Pursuant to Section 1.148-7(d) of the Treasury Regulations, relating to exception from rebate, the City hereby reasonably expects that with respect to the gross proceeds of the Bonds, the following schedule will be met: (i) at least 15% of the gross proceeds of the Bonds will be allocated to expenditures for the governmental purpose of the Bonds within six months of the date of issue of the Bonds; (ii) at least 60% of such proceeds will be allocated for such purposes within the one year period of such date; and (iii) 100% of such proceeds will be allocated for such purposes within the 18-month period beginning on such date; subject to an exception for reasonable retainage of 5% of the available proceeds of the Bonds, and that 100% of the available proceeds of the Bonds will be allocated within 30 months from the date of issue of the Bonds.

(c) 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 section.

Section 5. Continuing Disclosure. The City acknowledges that the Bonds are subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. §240.15c2-12) (the "Rule"). The Rule governs the obligations of certain underwriters to require that issuers of municipal bonds enter into agreements for the benefit of the bondholders to provide continuing disclosure with respect to the Bonds. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit underwriters of the Bonds to comply with the Rule, which will enhance the marketability of the Bonds, the mayor and the clerk are hereby authorized and directed to execute a continuing disclosure certificate substantially in the form of Exhibit C attached hereto.

Section 6. Certificate of Proceedings.

6.01 The city clerk is directed to file with the county auditor a certified copy of this resolution and such other information as the county auditor may require, and to obtain from the county auditor a certificate stating that the Bonds herein authorized have been duly entered on his register.

6.02 The officers of the City are authorized and directed to prepare and furnish to the Purchaser and to bond counsel certified copies of all proceedings and records of the City relating to the authorization and issuance of the Bonds and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Bonds as such facts appear from the official books and records of the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the City as to the correctness of facts recited therein and the actions stated therein to have been taken.

6.03 The officers of the City are hereby authorized and directed to certify that they have examined the official statement prepared and circulated in connection with the sale of the Bonds and that to the best of their knowledge and belief the official statement is a complete and accurate representation of the facts and representations made therein as of the date of the official statement.

STATEMENT OF PURPOSE: This resolution authorizes the sale of General Obligation DECC Improvement Bonds, Series 2018A, in the approximate amount of \$4,400,000, to provide the local match for a State of Minnesota grant through the Minnesota Pollution Control Agency for improvements to the dock wall on the west and north sides of Minnesota Slip and a portion of the harbor dock wall, each adjacent to the Duluth Entertainment and Convention Center. The estimated cost of the City's project is \$6,687,385. The MPCA has agreed to provide the City with a grant of at least \$2,155,660 for a portion of the cost of the City's project. The balance of the costs of the project in the amount of \$4,531,725, plus costs of issuance and underwriter discount, will be financed with the proceeds of the bonds. It is anticipated that the principal and interest on the Bonds will be payable from available lodging tax receipts allocated to the Duluth Entertainment and Convention Center Authority pursuant to a Pledge Agreement between the DECC and the City. The City's municipal advisor anticipates bids with substantial premium, which results in the par amount of the bonds being less than the cash needed for project costs. The resolution allows the chief administrative officer to select the date to offer the bonds for sale, authorizes the City's municipal advisor, Public Financial Management, to solicit bids and authorizes the chief administrative officer and the chief financial officer, or either of them, to award the sale so long as the true interest cost of the bonds does not exceed 4.5%.