

PUBLIC HEARING AND SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
TUESDAY, JULY 6, 1999
6:00 P.M. – CITY HALL

The Council for the City of Crosslake met in the Council Chambers of City Hall on Tuesday, July 6, 1999 at 6:00 P.M. for the purpose of holding a Public Hearing relating to the proposed establishment of Tax Increment Financing District No. 1-7 located within Development District No. 1 and proposed adoption of the Tax Increment Financing Plan. Council Members Present: Mayor Darrell Swanson, Donna Keiffer, Charles Miller and Richard Upton. Council Member Dean Swanson arrived at 6:06 P.M. Also present were City Administrator Thomas Swenson, City Attorney Paul Sandelin, Deputy Clerk Darlene Roach and Sid Inman of Ehlers and Associates. Also present in the audience were Jack, Delores and Mike Stone and Dave and Mary Kolesar.

Mayor Swanson called the Public Hearing to order at 6:02 P.M. and turned the meeting over to Sid Inman.

Mr. Inman stated that notices regarding the proposed establishment of Tax Increment Financing District 1-7 were sent to the Crow Wing County Auditor's Office and the Pequot Lakes School District. The Planning and Zoning Commission also reviewed the Plan at its June 18, 1999 meeting as it relates to the overall Comprehensive Plan of the City and recommend approval of the Plan. Mr. Inman stated that the purpose of this meeting is to set up the geographic area of the district as an economic development district under the Small Cities Exemption under the law. The district will be a commercial development on what is currently raw land to facilitate construction of a retail facility within the City. The first phase will consist of two parcels with the construction of eighteen retail lots. The estimated tax increment is \$83,800. The form of financing is "pay as you go" where the developer pays the costs and is reimbursed with tax increment over time. The duration of the district will be eleven years with increment for nine years. Ten percent of the increment will be retained by the City for administrative costs. The City will elect to make a ten percent contribution for road construction to exempt itself from the LGA-HACA penalty. If nothing happens in the district in three, four or five years, the district will go away.

Mayor Swanson asked if there were any questions by the Council. Council Member Upton stated that he had reviewed the Plan and it seemed appropriate. Mayor Swanson concurred. Mayor Swanson then asked for questions from the audience. Mike Stone stated that the developer may de-certify part of the district when an actual survey is received and the eighteen lots are identified. A request may then be made of the Council to de-certify a portion of the parcels with the option of coming back at a later date for subsequent areas.

MOTION PH1-01-99 WAS MADE BY CHUCK MILLER AND SECONDED BY RICHARD UPTON TO ADJOURN THIS PUBLIC HEARING AT 6:10 P.M. MOTION CARRIED WITH ALL AYES.

Mayor Swanson called the Special Council Meeting to order at 6:10 P.M.

1. MOTION 07S1-01-99 WAS MADE BY CHUCK MILLER AND SECONDED BY DONNA KEIFFER TO APPROVE RESOLUTION NO. 99-29 ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 1-7 WITHIN DEVELOPMENT DISTRICT NO. 1 AND ADOPTING THE TAX INCREMENT FINANCING PLAN THEREFOR. Mayor Swanson asked if District No. 1-7 included all twenty one acres. It was noted that boundary maps included in the Plan showed the twenty one acres. MOTION CARRIED WITH ALL AYES. The Developer's Agreement will be prepared by Mary Ippel of Briggs & Morgan with review by the City Attorney.
2. Local Area Network Bids - General Manager Kevin Larson stated that three bids were received to upgrade the outdated computer network. Upon the recommendation of CC&I Engineering, it was requested that the bid from Midwest Data be accepted. MOTION 07S1-02-99 WAS MADE BY RICHARD UPTON AND SECONDED BY CHUCK MILLER TO ACCEPT THE COMPUTER/LAN NETWORK BID FROM MIDWEST DATA IN THE AMOUNT OF \$26,035.95 INCLUDING FREIGHT AND TAX. Council Member Upton asked why there was such a big swing between the high and the low bid. General Manager Larson stated that the bid from Martin and Associates contained items that were not needed which drove the price up. Council Member Swanson asked why a printer was not included in the bid. He was told that an additional \$9700 was included in the budget for replacement of the current billing printer with a LAN printer which was not included in the network configuration. Mayor Swanson asked if CC&I Engineering was being used as a computer consultant and General Manager Larson said they were because of their familiarity with the needs of telephone companies. MOTION CARRIED WITH ALL AYES.
3. Sid Inman stated that the three local banks were approached by himself regarding whether they were willing to participate in the private placement of bonds for a portion of the 1999 Road Improvements. All three banks agreed to participate for a portion of the placement for a seven year issue with no call protection at an interest rate of approximately 7%. MOTION 07S1-03-99 WAS MADE BY CHUCK MILLER AND SECONDED BY RICHARD UPTON TO APPROVE RESOLUTION 99-29A PROVIDING FOR THE ISSUANCE AND SALE OF \$735,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 1999, PLEDGING FOR THE SECURITY THEREOF SPECIAL ASSESSMENTS AND LEVYING A TAX FOR THE PAYMENT THEREOF. MOTION CARRIED WITH ALL AYES. City Administrator Swenson stated Ehlers & Associates will be preparing for a public sale of bonds for the balance of the bonds not privately placed.
4. Recommendation for filling vacant clerical/receptionist position – After advertising and interviewing seven applicants, it is the recommendation of City Administrator

Swenson, Darlene Roach and Teri Hastings that Carol Roquette be offered the full time position of clerical/receptionist. MOTION 07S1-04-99 WAS MADE BY DONNA KEIFFER AND SECONDED BY RICHARD UPTON TO APPROVE THE HIRING OF CAROL ROQUETTE FOR THE POSITION OF CLERICAL RECEPTIONIST AT A RATE OF \$7.43 PER HOUR WITH A SIX MONTH PROBATION PERIOD. MOTION CARRIED WITH ALL AYES.

5. Notice of resignation of Park and Recreation Director - City Administrator Swenson read the resignation letter from Park and Recreation Director Susie Munyer. It was the recommendation of the Personnel Committee that the City Council accept the resignation and direct the Personnel Committee to begin the process of replacing the vacant position and to hire Dennis Palm on a part time basis at a rate of \$15.00 per hour until the position is filled. MOTION 07S1-05-99 WAS MADE BY DONNA KEIFFER AND SECONDED BY CHUCK MILLER TO ACCEPT THE RESIGNATION FROM SUSIE MUNYER AND TO HIRE DENNIS PALM ON A PART TIME BASIS AT \$15.00 PER HOUR UP TO A MAXIMUM OF FORTY HOURS PER WEEK UNTIL THE POSITION IS FILLED AND FOR THE PERSONNEL COMMITTEE TO BEGIN THE PROCESS OF REPLACING THE PARK AND RECREATION DIRECTOR POSITION. MOTION CARRIED WITH ALL AYES.

6. Recommendation for Wilderness Trail Overlay and Purchase of Paint Striping Machine - A June 14, 1999 letter from Anderson Brothers included striping on Wilderness Trail in the amount of \$1622.00. Information on striping machines received by City Administrator Tom Swenson at the League of MN Cities Annual Conference was reviewed by the Public Works Commission. It is their recommendation, along with the recommendation of City staff, that the City purchase a paint sprayer for use on Wilderness Trail as well as on other roads by the Public Works employees. Four quotes were received on paint sprayers and it was recommended that the City purchase a Graco Linelazer II 5900 with two spray guns, a 15 gallon paint hopper and a glass bead dispenser from Quality Paint and Supply at a cost of \$6070.50 and that \$1622.00 of the purchase price be charged against the Wilderness Trail Project with the balance charged against Public Works Capital Outlay Equipment. MOTION 07S1-06-99 WAS MADE BY CHUCK MILLER AND SECONDED BY DONNA KEIFFER TO APPROVE THE PURCHASE OF A GRACO LINELAZER II 5900 WITH TWO SPRAY GUNS, A FIFTEEN GALLON PAINT HOPPER AND A GLASS BEAD DISPENSER FROM QUALITY PAINT AND SUPPLY AT A COST OF \$6070.50 WITH \$1622.00 OF THE PURCHASE PRICE CHARGED AGAINST THE WILDERNESS TRAIL PROJECT. MOTION CARRIED WITH ALL AYES.

MOTION 07S1-07-99 WAS MADE BY CHUCK MILLER AND SECONDED BY RICHARD UPTON TO APPROVE THE BID FOR THREE SEGMENTS OF

OVERLAY ON WILDERNESS TRAIL MINUS THE COST OF THE STRIPING.
MOTION CARRIED WITH ALL AYES. Mayor Swanson noted that the road that was constructed by Anderson Brothers does meet the contract specifications and that the overlay being approved is for aesthetics and to provide a smoother driving surface.

7. Police Policy Manual Discussion – The Police Policy has been revised and sent to the City Attorney for review. Prior to it being on the agenda for the July 12th Regular Council Meeting, the policy will be copied and available for all Council Members beginning July 7th.
8. Bills for Payment – MOTION 07S1-08-99 WAS MADE BY RICHARD UPTON AND SECONDED BY DONNA KEIFFER TO APPROVE ALL BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$69,431.63. MOTION CARRIED WITH ALL AYES.

MOTION 07S1-09-99 WAS MADE BY CHUCK MILLER AND SECONDED BY DONNA KEIFFER TO ADJOURN THIS SPECIAL MEETING AT 6:50 P.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by:



Darlene J. Roach
Deputy Clerk

ADDITIONS TO BILLS FOR PAYMENT				
6-Jul-99				
VENDOR		DEPT	CHECK #	AMOUNT
Fleet Farm - softener salt		Park		\$12.31
BLADC - 1/2 year payment		Gov't		\$750.00
Crosslake Communications - phone/fax etc.		All		\$844.21
Coast to Coast - diazinon, elbows, adapters etc.		Park/PW		\$53.44
Department of Commerce - notary renewal (DR)		Adm		\$40.00
Office Shop - envelopes, eraser		Adm		\$56.50
Office Shop - ink roller		Adm		\$4.74
Office shop - legal pads		PW		\$5.27
Ehlers & Assoc - TIF expenses		TIF		\$300.00
Ehlers & Assoc - TIF expenses		TIF		\$570.00
Ehlers & Assoc - TIF expenses		TIF		\$1,020.00
Anderson Bros - Class 5		PW		\$452.58
CW County Recorder - recording variances		P&Z		\$565.50
Rural Cellular - mayor cell phone		Council		\$80.86
Rural Cellular - PD cell phones		PD		\$113.83
Country Works - color copying of missing person		PD		\$21.30
Crow Wing Coop - ESC		Gov't		\$342.00
Don Coulter - verify lake setback	Erickson	P&Z		\$40.00
Simonson - facia, pine and tape		Park/PW		\$97.61
Walmart - handtruck		Park		\$37.23
Greg Larson Sports - scorebooks		Park		\$6.92
Viking Coke - pop		Gov't		\$33.02
Crosslake Sheetmetal - repair air conditioners		Gov't		\$297.50
BSN/Passon's GSC Sports - plates & baseball equip		Park		\$100.07
Don Coulter - verify lake setback	Wells	P&Z		\$40.00
Computer 1 - computer & accessories		P&Z		\$3,510.24
Viking Coke - pop		Park		\$81.21
WSN - engineering		All		\$9,999.93
Crow Wing Coop - electric		Garage		\$17.48
Crow Wing Coop - electric		Warehouse		\$55.15
Crow Wing Coop - electric		Park		\$249.26
Crow Wing Coop - electric		Warm H		\$33.61
Crow Wing Coop - electric		St Lgts		\$27.71
California Contractors - traffic cones (24)		PW		\$285.60
L&M Steel - posts		PW		\$623.90
Crosslake Recycling - July		Recycle		\$1,600.00
North EMS - CPR refresher		Fire Dept		\$588.00
Anderson Bros - Class 5		PW		\$36.57
Computer 1 Kodak Digital Camera		P&Z		\$498.42
Office Shop - labels		Adm		\$7.42
Ace Hardware - sprinkler system supplies		Gov't		\$11.70
Carla Carlson - Soils class expenses		P&Z		\$100.14
USTI - LEADERS Maintenance		PD		\$100.00
Joos Electric - electric repair		Govt		\$50.71
Joe Ulschmid - travel expenses		Park		\$12.30
Joe Ulschmid - travel expenses		Park		\$11.98

CITY OF CROSSLAKE
CROW WING COUNTY
STATE OF MINNESOTA

Council member Charles Miller introduced the following resolution and moved its adoption:

RESOLUTION NO. 99-29

RESOLUTION ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 1-7 WITHIN DEVELOPMENT DISTRICT NO. 1 AND ADOPTING THE TAX INCREMENT FINANCING PLAN THEREFOR.

BE IT RESOLVED by the City Council (the "Council") of the City of Crosslake, Minnesota (the "City"), as follows:

Section 1. Recitals.

1.01. The City has heretofore established Development District No. 1 and adopted the Development Program therefor. It has been proposed that the City establish Tax Increment Financing District No. 1-7 ("District No. 1-7") within Development District No. 1 and adopt the Tax Increment Financing Plan therefor (the "Plan"); all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.124 through 469.134 and 469.174 through 469.179, all inclusive, as amended, (the "Act") all as reflected in the Plan, and presented for the Council's consideration.

1.02. The Council has investigated the facts and has caused the Plan to be prepared .

1.03. The City has performed all actions required by law to be performed prior to the establishment of Tax Increment Financing District No. 1-7 and the adoption and approval of the proposed Plan, including, but not limited to, notification of Crow Wing County and School District No. 186 having taxing jurisdiction over the property to be included in District No. 1-7, a review of and written comment on the Plan by the City Planning Commission, and the holding of a public hearing upon published notice as required by law.

Section 2. Development District No. 1; Development Program.

2.01. The City is not modifying the boundaries of Development District No. 1 nor the Development Program therefor.

Section 3. Tax Increment Financing District No. 1-7.

3.01 There is established in the City within Development District No.1 Tax Increment Financing District No. 1-7, the initial boundaries which are fixed and determined as set forth in the plan.

3.02. The Council hereby finds that Tax Increment Financing District No. 1-7 is in the public interest and is an "economic development district" under Minnesota Statutes, Section 469.174, subd. 12.

3.03. The Council further finds that the proposed redevelopment would not occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of District No. 1-7 permitted by the Tax Increment Financing Plan, that the Plan conforms to the general plan for the development or redevelopment of the City as a whole; and that the Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development of District No. 1-7 by private enterprise.

3.04. The City elects to make a qualifying local contribution in accordance with Minnesota Statutes, Section 273.1399, subd. 6(d), in order to qualify District No. 1-7 for exemption from state aid losses set forth in Section 273.1399.

3.05. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and supporting facts for each determination in writing, attached hereto as Exhibit A.

Section 4. Public Purpose

4.01. The Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up, to provide employment opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose.

Section 5. Approval and Adoption of the Plan; Certification; Filing.

5.01. The Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the City Administrator.

5.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to proceed with the implementation of the Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5.03. The Auditor of Crow Wing County is requested to certify the original net tax capacity of District No. 1-7, as described in the Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the City of Crosslake is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within District No. 1-7, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

5.04. The City is further authorized and directed to file a copy of the Plan with the Commissioner of Revenue.

The motion for the adoption of the foregoing resolution was duly seconded by Council member Donna Keiffer, and upon a vote being taken thereon, the following voted in favor thereof:

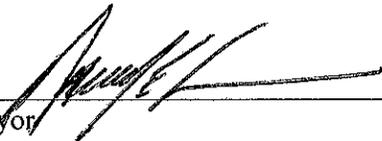
Mayor Swanson	Charles Miller
Donna Keiffer	Richard Upton

and the following voted against the same:

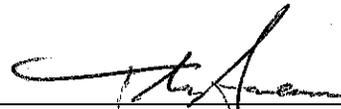
None

Dated: July 6, 1999

ATTEST:



Mayor



City Clerk/Treasurer Administrator

(Seal)

EXHIBIT A
RESOLUTION # 99-29

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-7, ("District No. 1-7") as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that the District No. 1-7 is an economic development district as defined in M.S., Section 469.174, Subd. 12.*

Tax Increment Financing District No. 1-7 is a contiguous geographic area within the City's Development District No. 1, delineated in the Plan, for the purpose of financing economic development in the City through the use of tax increment. District No. 1-7 consists of a portion of Development District No. 1 not meeting requirements for other types of tax increment financing districts, which is in the public interest because it will facilitate construction of a retail and residential spaces within the City of Crosslake which will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; it will increase employment in the state, and preserve and enhance the tax base of the state.

It has been confirmed that the City of Crosslake has a population less than 5,000 and is located at least 10 miles from a city with a population greater than 10,000 and therefore the City meets the definition of a "small city" found in *M.S. Section 469.174 Subd. 27*.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of District No. 1-7 permitted by the Plan.*

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in this plan is a commercial facility that meets the City's objectives for economic development. The cost of site and public improvements and utilities makes development of the facility infeasible without City assistance. The developer was asked to provide justification that the developer would not have gone forward without tax increment assistance (see attachment in Appendix F of the TIF plan).

The increased market value of the site that could reasonable be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the Plan: The City supported this finding on the grounds that the cost of site and public improvements and utilities add to the total development cost. Therefore, the City reasonably determines that no other development of any kind is anticipated on this site without substantially similar assistance being provided to the development. Accordingly, the increased market value anticipated without tax increment assistance is \$0.

A comparative analysis of estimated market values both with and without establishment of Tax Increment Financing District No. 1-7 and the use of tax increments has been performed as described above. If all development which is proposed to be assisted with tax increment were to occur in District No. 1-7, the total increase in market value would be up to \$2,684,723. The present value of tax increments from District No. 1-7 is estimated to be \$360,882. It is the Council's finding that no development with a market value

of greater than \$2,323,841 would occur without tax increment assistance in this district within 9 years. This finding is based upon evidence from general past experience with the high cost of site and public improvements in the general area of District No. 1-7 (see Cashflow in Appendix D of the TIF plan).

3. *Finding that the Tax Increment Financing Plan for District No. 1-7 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Plan was reviewed by the Planning Commission on June 18, 1999. The Planning Commission found that the Plan conforms to the general development plan of the City.

4. *Finding that the Tax Increment Financing Plan for District No. 1-7 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of Development District No. 1 by private enterprise.*

The project to be assisted by District No. 1-7 will result in increased employment in the City and the State of Minnesota, increased tax base of the State, and add a high quality development to the City.

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

HELD: July 6, 1999

RESOLUTION NO. 99-29A

Pursuant to due call and notice thereof, a ~~regular~~ special meeting of the City Council of the City of Crosslake, Crow Wing County, Minnesota, was duly called and held at the City Hall in said City on Tuesday, the 6th day of July, 1999, at 6:00 o'clock p.m., for the purpose, in part, of authorizing the issuance of, and awarding the sale of, \$735,000 General Obligation Improvement Bonds, Series 1999 of the City.

The following members were present: Mayor Darrell Swanson and Council Members Donna Keiffer, Charles Miller, Dean Swanson and Dick Upton and the following were absent: None

Member Miller introduced the following resolution and moved its adoption:

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF
\$735,000 GENERAL OBLIGATION IMPROVEMENT BONDS,
SERIES 1999, PLEDGING FOR THE SECURITY THEREOF
SPECIAL ASSESSMENTS, AND LEVYING A
TAX FOR THE PAYMENT THEREOF

A. WHEREAS, the City Council of the City of Crosslake, Minnesota (the "City"), has heretofore determined that it is necessary and expedient to issue \$735,000 General Obligation Improvement Bonds, Series 1999 (the "Bonds"), pursuant to Minnesota Statutes, Chapters 475 and 429 to finance the construction of various improvements (the "Improvements") in the City; and

B. WHEREAS, the Improvements and all their components have been ordered prior to the date hereof, after a hearing thereon for which notice was given describing the Improvements or all their components by general nature, estimated cost, and area to be assessed; and

C. WHEREAS, the City has retained Ehlers and Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the Bonds and was therefore authorized to sell the Bonds by private negotiation in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

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CITY COUNCIL OF THE CITY OF
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B. WHEREAS, the Improvements and all their components have been ordered prior to the date hereof, after a hearing thereon for which notice was given describing the Improvements or all their components by general nature, estimated cost, and area to be assessed; and

C. WHEREAS, the City has retained Ehlers and Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the Bonds and was therefore authorized to sell the Bonds by private negotiation in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Crosslake, Minnesota, as follows:

1. Acceptance of Offers. The offer of _____ *
_____ ("_____"), to purchase
\$ _____ of the Bonds, the offer of _____
_____ ("_____"), to purchase \$ _____
of the Bonds and the offer of _____
("_____"), to purchase \$ _____ of the
Bonds of the City (or individually, a "Bond"), in accordance with
the terms established therefor, at the rates of interest
hereinafter set forth, and to pay therefor the sum of \$735,000,
plus interest accrued to settlement, is hereby accepted.
_____, _____ and _____
are hereinafter referred to collectively as, the "Purchaser".

2. Title; Original Issue Date; Denominations; Maturities. The Bonds shall be titled "General Obligation Improvement Bonds, Series 1999", shall be dated the date of delivery, as the date of original issue and shall be issued forthwith on or after such date as fully registered bonds. The Bonds shall be numbered from R-1 upward in the denomination of \$5,000 each or in any integral multiple thereof of a single maturity. The Bonds shall mature on February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2001	\$110,000	2004	\$125,000
2002	115,000	2005	130,000
2003	120,000	2006	135,000

All dates are inclusive.

3. Purpose. The Bonds shall provide funds to finance the Improvements. The total cost of the Improvements, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of the Bonds. Work on the Improvements shall proceed with due diligence to completion. The City covenants that it shall do all things and perform all acts required of it to assure that work on the Improvements proceeds with due diligence to completion and that any and all permits and studies required under law for the Improvements are obtained.

4. Interest. The Bonds shall bear interest payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2000, calculated on the basis of a 360-day year of twelve 30-day months, at the respective rates per annum set forth opposite the maturity years as follows:

*See next page for details

**\$735,000 General Obligation Improvement Bonds, Series 1999
City of Crosslake, Minnesota**

Maturity Year	Lakewood State Bank, Nisswa	Lakes State Bank, Pequot Lakes	Northern National Bank, Nisswa	Grand Total
2001			\$110,000	\$110,000
2002	\$115,000			115,000
2003		\$120,000		120,000
2004			125,000	125,000
2005		130,000		130,000
2006	135,000			135,000
TOTAL	\$250,000	\$250,000	\$235,000	\$735,000

N:\Minnesota\Crosslake\BISUM\1999\$735m.july\Distribution

<u>Maturity Year</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Interest Rate</u>
2001	4.30 %	2004	4.70 %
2002	4.45	2005	4.80
2003	4.60	2006	4.90

5. Redemption. All Bonds shall be subject to redemption and prepayment at the option of the City on any date at a price of par plus accrued interest. Redemption may be in whole or in part. If redemption is in part, the maturities and the principal amounts within each maturity to be redeemed shall be determined by the City; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Mailed notice of redemption shall be given to the paying agent (if other than the City) and to each affected registered holder of the Bonds at least fifteen (15) days prior to the date fixed for redemption.

To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar prior to giving notice of redemption shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers so assigned to such Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the City or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the City and Bond Registrar duly executed by the holder thereof or his, her or its attorney duly authorized in writing) and the City shall execute (if necessary) and the Bond Registrar shall deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same series having the same stated maturity and interest rate and of any authorized denomination or denominations, as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

6. Bond Registrar. The Administrator of the City is appointed to act as bond registrar and transfer agent with respect to the Bonds (the "Bond Registrar"), and shall do so unless and until a successor Bond Registrar is duly appointed.

Any successor Bond Registrar shall act as bond registrar and transfer agent pursuant to any contract the City and successor bond registrar shall execute which is consistent herewith. The Bond Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal and interest on the Bonds shall be paid to the registered holders (or record holders) of the Bonds in the manner set forth in the form of Bond and paragraph 12 of this resolution.

7. Form of Bond. The Bonds, together with the Certificate of Registration, the Register of Partial Payments, the form of Assignment and the registration information thereon, shall be in substantially the following form and may be type-written rather than printed:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
CROW WING COUNTY
CITY OF CROSSLAKE

R- _____

\$ _____

GENERAL OBLIGATION IMPROVEMENT
BOND, SERIES 1999

<u>INTEREST</u> <u>RATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>DATE OF</u> <u>ORIGINAL ISSUE</u>
_____ %	FEBRUARY 1, 200_	DATE HEREOF

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS that the City of Crosslake, Crow Wing County, Minnesota (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, unless called for earlier redemption, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, and to pay interest thereon semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2000, at the rate per annum specified above (calculated on the basis of a 360-day year of twelve 30-day months) until the principal sum is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from the date of original issue hereof. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof by the Administrator of the City of Crosslake, Minnesota (the "Bond Registrar"), acting as paying agent, or any successor paying agent duly appointed by the Issuer. Interest on this Bond will be paid on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the

defaulted interest. Notice of the Special Record Date shall be given to Bondholders not less than ten days prior to the Special Record Date. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

Redemption. All Bonds of this issue (the "Bonds") are subject to redemption and prepayment at the option of the Issuer on any date at a price of par plus accrued interest. Redemption may be in whole or in part. If redemption is in part, the maturities and the principal amounts within each maturity to be redeemed shall be determined by the Issuer; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Mailed notice of redemption shall be given to the paying agent (if other than the Issuer) and to each affected Holder of the Bonds at least fifteen (15) days prior to the date fixed for redemption.

Selection of Bonds for Redemption; Partial Redemption. To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to the Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the Issuer or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the Issuer and Bond Registrar duly executed by the Holder thereof or his, her or its attorney duly authorized in writing) and the Issuer shall execute (if necessary) and the Bond Registrar shall deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same series having the same stated maturity and interest rate and of any authorized denomination or denominations, as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Issuance; Purpose; General Obligation. This Bond is one of an issue in the total principal amount of \$735,000, all of like date of original issue and tenor, except as to number,

maturity, interest rate and denomination, which Bond has been issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota and pursuant to a resolution adopted by the City Council of the Issuer on July 6, 1999 (the "Resolution"), for the purpose of providing money for the construction of various improvements within the jurisdiction of the Issuer. This Bond is payable out of the General Obligation Improvement Bonds, Series 1999 Fund of the Issuer. This Bond constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of its principal, premium, if any, and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Denominations; Exchange; Resolution. The Bonds are issuable solely as fully registered bonds in the denominations of \$5,000 and integral multiples thereof of a single maturity and are exchangeable for fully registered Bonds of other authorized denominations in equal aggregate principal amounts at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution. Reference is hereby made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Transfer. This Bond is transferable by the Holder in person or by his, her or its attorney duly authorized in writing at the principal office of the Bond Registrar upon presentation and surrender hereof to the Bond Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar. Thereupon the Issuer shall execute and the Bond Registrar shall deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee (but not registered in blank or to "bearer" or similar designation), of an authorized denomination or denominations, in aggregate principal amount equal to the principal amount of this Bond, of the same maturity and bearing interest at the same rate.

Fees upon Transfer or Loss. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bonds.

Treatment of Registered Owners. The Issuer and Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except as otherwise provided above with respect to the Record Date) and for all other purposes, whether or not this Bond shall be overdue, and neither the Issuer

nor the Bond Registrar shall be affected by notice to the contrary.

Qualified Tax-Exempt Obligation. This Bond has been designated by the Issuer as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the 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 Bond, have been done, have happened and have been performed, in regular and due form, time and manner as required by law, and that this Bond, together with all other debts of the Issuer outstanding on the date of original issue hereof and the date of its issuance and delivery to the original purchaser, does not exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of Crosslake, Crow Wing County, Minnesota, by its City Council has caused this Bond to be executed on its behalf by the manual signatures of its Mayor and its Administrator, the corporate seal of the Issuer having been intentionally omitted as permitted by law.

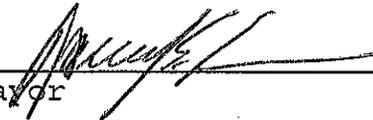
Date of Registration:

Registrable by: THE ADMINISTRATOR
OF THE CITY OF
CROSSLAKE, MINNESOTA

Payable at: OFFICE OF THE
ADMINISTRATOR OF
THE CITY OF CROSSLAKE,
MINNESOTA

July 6, 1999

CITY OF CROSSLAKE,
CROW WING COUNTY, MINNESOTA



Mayor



Administrator

General Obligation Improvement Bond, Series 1999, No. R-_____.

CERTIFICATE OF REGISTRATION

The transfer of ownership of the principal amount of the attached Bond 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 BOND REGISTRAR</u>
_____, 1999	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship
and not as tenants in common

UTMA - _____ as custodian for _____
(Cust) (Minor)
under the _____ Uniform
(State)
Transfers to Minors Act

Additional abbreviations may also be used
though not in the above list.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges or any other "Eligible Guarantor Institution" as defined in 17 CFR 240.17 Ad-15(a)(2).

The Bond Registrar will not effect transfer of this Bond unless the information concerning the transferee requested below is provided.

Name and Address: _____

(Include information for all joint owners if the Bond is held by joint account.)

8. Execution; Bonds. The Bonds shall be executed on behalf of the City by the manual signatures of its Mayor and Administrator and be sealed with the seal of the City; provided, however, that the seal of the City may be a printed facsimile; and provided further that the corporate seal may be omitted on the Bonds as permitted by law. In the event of disability or resignation or other absence of either such officer, the Bonds 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 Bonds shall cease to be such officer before the delivery of the Bonds, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery. The City may elect to deliver, in lieu of printed bonds, one or more typewritten bonds in substantially the form set forth above, with such changes as may be necessary to reflect more than one maturity in a single bond.

9. Date of Registration. The Bond Registrar shall insert as a date of registration the date of original issue, which date is the date of delivery.

10. Registration; Transfer; Exchange. The City will cause to be kept at the principal office of the Bond Registrar a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe (if other than the City), the Bond Registrar shall provide for the registration of Bonds and the registration of transfers of Bonds entitled to be registered or transferred as herein provided.

Upon surrender for transfer of any Bond at the principal office of the Bond Registrar, the City shall execute (if necessary), and the Bond Registrar shall insert the date of registration (as provided in paragraph 9) of, and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any authorized denomination or denominations of a like aggregate principal amount, having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Bond may be registered in blank or in the name of "bearer" or similar designation.

At the option of the Holder, Bonds may be exchanged for Bonds of any authorized denomination or denominations of a like aggregate principal amount and stated maturity, upon surrender of the Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Bonds are so surrendered for exchange, the City shall execute (if necessary), and the Bond Registrar shall insert the date of registration of, and deliver the Bonds which the Holder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this resolution shall be promptly cancelled by

the Bond Registrar and thereafter disposed of as directed by the City.

All Bonds delivered in exchange for or upon transfer of Bonds shall be valid general obligations of the City evidencing the same debt, and entitled to the same benefits under this resolution, as the Bonds surrendered for such exchange or transfer.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the Holder thereof or his, her or its attorney duly authorized in writing.

The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of any Bond and any legal or unusual costs regarding transfers and lost Bonds.

Transfers shall also be subject to reasonable regulations of the City contained in any agreement with the Bond Registrar (if other than the City), including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates.

11. Rights Upon Transfer or Exchange. Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

12. Interest Payment; Record Date. Interest on any Bond shall be paid on each Interest Payment Date by check or draft mailed to the person in whose name the Bond is registered (the "Holder") on the registration books of the City maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any such interest not so timely paid shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior to the Special Record Date.

13. Treatment of Registered Owner. The City and 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 premium, if any, and interest

(subject to the payment provisions in paragraph 12 above) on, such Bond and for all other purposes whatsoever whether or not such Bond shall be overdue, and neither the City nor the Bond Registrar shall be affected by notice to the contrary.

14. Delivery; Application of Proceeds. The Bonds when so prepared and executed shall be delivered by the Administrator to the Purchaser upon receipt of the purchase price, and the Purchaser shall not be obliged to see to the proper application thereof.

15. Fund and Accounts. There is hereby created a special fund to be designated the "General Obligation Improvement Bonds, Series 1999 Fund" (the "Fund") to be administered and maintained by the Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The Fund shall be maintained in the manner herein specified until all of the Bonds and the interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate accounts to be designated the "Construction Account" and "Debt Service Account", respectively.

(i) Construction Account. To the Construction Account there shall be credited the proceeds of the sale of the Bonds, less accrued interest received thereon, and less capitalized interest in the amount of \$ 17,332.90 (together with interest earnings thereon and subject to such other adjustments as are appropriate to provide sufficient funds to pay interest due on the Bonds on or before February 1, 2000), plus any special assessments levied with respect to the Improvements and collected prior to completion of the Improvements and payment of the costs thereof. From the Construction Account there shall be paid all costs and expenses of making the Improvements listed in paragraph 16, including the cost of any construction contracts heretofore let and all other costs incurred and to be incurred of the kind authorized in Minnesota Statutes, Section 475.65; and the moneys in said account shall be used for no other purpose except as otherwise provided by law; provided that the proceeds of the Bonds may also be used to the extent necessary to pay interest on the Bonds due prior to the anticipated date of commencement of the collection of taxes and special assessments herein levied or covenanted to be levied; and provided further that if upon completion of the Improvements there shall remain any unexpended balance in the Construction Account, the balance (other than any special assessments) may be transferred by the Council to the fund of any other improvement instituted pursuant to Minnesota Statutes, Chapter 429, and provided further that any special assessments credited to the Construction Account shall only be applied towards payment of the costs of the Improvements upon adoption of a resolution by the City Council determining that the application of the special assessments for such purpose will not

cause the City to no longer be in compliance with Minnesota Statutes, Section 475.61, Subdivision 1.

(ii) Debt Service Account. There are hereby irrevocably appropriated and pledged to, and there shall be credited to, the Debt Service Account: (a) all collections of special assessments herein covenanted to be levied with respect to the Improvements and either initially credited to the Construction Account and not already spent a permitted above and required to pay any principal and interest due on the Bonds or collected subsequent to the completion of the Improvements and payment of the costs thereof; (b) capitalized interest in the amount of \$ 17,332.90 (together with interest earnings thereon and subject to such other adjustments as are appropriate to provide sufficient funds to pay interest due on the Bonds on or before February 1, 2000); (c) any collections of all taxes herein or hereafter levied for the payment of the Bonds and interest thereon; (d) all funds remaining in the Construction Account after completion of the Improvements and payment of the costs thereof; (e) all investment earnings on funds held in the Debt Service Account; and (f) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Debt Service Account. The Debt Service Account shall be used solely to pay the principal and interest and any premiums for redemption of the Bonds and any other general obligation bonds of the City hereafter issued by the City and made payable from said account as provided by law.

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 (1) for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued and (2) in addition to the above in an amount not greater than the lesser of five percent (5%) of the proceeds of the Bonds or \$100,000. To this effect, any proceeds of the Bonds and any sums from time to time held in the Construction Account or Debt Service Account (or any other City account which will be used to pay principal or interest to become due on the bonds payable therefrom) 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. Money 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

16. Assessments. It is hereby determined that at least twenty percent (20%) of the cost to the City of each Improvement financed hereunder within the meaning of Minnesota Statutes, Section 475.58, Subdivision 1(3), shall be paid by special assessments to be levied against every assessable lot, piece and parcel of land benefitted by any of the Improvements. The City hereby covenants and agrees that it will let all construction contracts not heretofore let within one (1) year after ordering each Improvement financed hereunder unless the resolution ordering the Improvement specifies a different time limit for the letting of construction contracts. The City hereby further covenants and agrees that it will do and perform as soon as they may be done all acts and things necessary for the final and valid levy of such special assessments, and in the event that any such assessment be at any time held invalid with respect to any lot, piece or parcel of land due to any error, defect, or irregularity in any action or proceedings taken or to be taken by the City or the City Council or any of the City officers or employees, either in the making of the assessments or in the performance of any condition precedent thereto, the City and the City Council will forthwith do all further acts and take all further proceedings as may be required by law to make the assessments a valid and binding lien upon such property. The special assessments have not heretofore been authorized, and accordingly, for purposes of Minnesota Statutes, Section 475.55, Subdivision 3, the special assessments are hereby authorized. Subject to such adjustment as are required by conditions in existence at the time the assessments are levied, the assessments are hereby authorized and it is hereby determined that the assessments shall be payable in equal, consecutive, annual installments, with general taxes for the years shown below and with interest on the declining balance of all such assessments at a rate per annum not greater than the maximum permitted by law and not less than 6.00 % per annum:

<u>Improvement Designation</u>	<u>Amount</u>	<u>Levy Years</u>	<u>Collection Years</u>
1999 Improvement Projects	\$572,524*	1999-2004	2000-2005

At the time the assessments are in fact levied the City Council shall, based on the then-current estimated collections of the assessments, make any adjustments in any ad valorem taxes required to be levied in order to assure that the City continues to be in compliance with Minnesota Statutes, Section 475.61, Subdivision 1.

17. Tax Levy; Coverage Test. To provide moneys for payment of the principal and interest on the Bonds there is hereby levied upon all of the taxable property in the City a

direct annual ad valorem tax which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the City for the years and in the amounts as follows:

<u>Year of Tax Levy</u>	<u>Year of Tax Collection</u>	<u>Amount</u>
1999	2000	\$
2000	2001	See Next Page
2001	2002	
2002	2003	
2003	2004	
2004	2005	

The tax levies are such that if collected in full they, together with estimated collections of special assessments and other revenues herein pledged for the payment of the Bonds, will produce at least five percent (5%) in excess of the amount needed to meet when due the principal and interest payments on the Bonds. The tax levies shall be irrevocable so long as any of the Bonds are outstanding and unpaid, provided that the City reserves the right and power to reduce the levies in the manner and to the extent permitted by Minnesota Statutes, Section 475.61, Subdivision 3.

18. Defeasance. When all Bonds have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered holders of the Bonds shall, to the extent permitted by law, cease. The City may discharge its obligations with respect to any Bonds which are due on any date by irrevocably depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full; or if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Bond Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The City may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full, provided that notice of redemption thereof has been duly given. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities described in Minnesota Statutes, Section 475.67, Subdivision 8, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein

Local Placement Portion: Debt Service Cashflow

Payable Year	Local Placement Annual Debt Service	1999 Street & Utility Assessments	New Tax Levy 99 Bonds	Total Revenues	105% of Debt Service Annually	Difference
1999		0	0	0		
2000	144,098	62,230	89,440	151,670	151,302	368
2001	144,368	62,230	89,440	151,670	151,586	84
2002	144,250	62,230	89,440	151,670	151,463	208
2003	143,730	62,230	89,440	151,670	150,917	754
2004	142,855	62,230	89,440	151,670	149,898	1,672
2005	141,615	62,230	89,440	151,670	148,696	2,974
2006	0	0	0	0	0	0
2007	0	0	0	0	0	0
2008	0	0	0	0	0	0
2009	0	0	0	0	0	0
2010						
Totals		373,381	536,640	910,021	903,961	

required has been duly provided for, to such earlier redemption date.

19. Compliance With Reimbursement Bond Regulations.

The provisions of this paragraph are intended to establish and provide for the City's compliance with United States Treasury Regulations Section 1.150-2 (the "Reimbursement Regulations") applicable to the "reimbursement proceeds" of the Bonds, being those portions thereof which will be used by the City to reimburse itself for any expenditure which the City paid or will have paid prior to the Closing Date (a "Reimbursement Expenditure").

The City hereby certifies and/or covenants as follows:

- (a) Not later than 60 days after the date of payment of a Reimbursement Expenditure, the City (or person designated to do so on behalf of the City) has made or will have made a written declaration of the City's official intent (a "Declaration") which effectively (i) states the City's reasonable expectation to reimburse itself for the payment of the Reimbursement Expenditure out of the proceeds of a subsequent borrowing; (ii) gives a general and functional description of the property, improvements or program to which the Declaration relates and for which the Reimbursement Expenditure is paid, or identifies a specific fund or account of the City and the general functional purpose thereof from which the Reimbursement Expenditure was to be paid (collectively the "Project"); and (iii) states the maximum principal amount of debt expected to be issued by the City for the purpose of financing the Project; provided, however, that no such Declaration shall necessarily have been made with respect to: (i) "preliminary expenditures" for the Project, defined in the Reimbursement Regulations to include engineering or architectural, surveying and soil testing expenses and similar prefatory costs, which in the aggregate do not exceed 20% of the "issue price" of the Bonds, and (ii) a *de minimis* amount of Reimbursement Expenditures not in excess of the lesser of \$100,000 or 5% of the proceeds of the Bonds. Notwithstanding the foregoing, with respect to any Declaration made by the City between January 27, 1992 and June 30, 1993, with respect to a Reimbursement Expenditure made prior to March 2, 1992, the City hereby represents that there exists objective evidence, that at the time the Expenditure was paid the City expected to reimburse the cost thereof with the proceeds of a borrowing (taxable or tax-exempt) and that expectation was reasonable.

- (b) Each Reimbursement Expenditure is a capital expenditure or a cost of issuance of the Bonds or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Reimbursement Regulations.
- (c) The "reimbursement allocation" described in the Reimbursement Regulations for each Reimbursement Expenditure shall and will be made forthwith following (but not prior to) the issuance of the Bonds and in all events within the period ending on the date which is the later of three years after payment of the Reimbursement Expenditure or one year after the date on which the Project to which the Reimbursement Expenditure relates is first placed in service.
- (d) Each such reimbursement allocation will be made in a writing that evidences the City's use of Bond proceeds to reimburse the Reimbursement Expenditure and, if made within 30 days after the Bonds are issued, shall be treated as made on the day the Bonds are issued.

Provided, however, that the City may take action contrary to any of the foregoing covenants in this paragraph 19 upon receipt of an opinion of its Bond Counsel for the Bonds stating in effect that such action will not impair the tax-exempt status of the Bonds.

20. General Obligation Pledge. For the prompt and full payment of the principal and interest on the Bonds, 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 balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Bonds and any other bonds 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 Debt Service Account when a sufficient balance is available therein.

21. Certificate of Registration. The Administrator is hereby directed to file a certified copy of this resolution with the County Auditor of Crow Wing County, Minnesota, together with such other information as he or she shall require, and to obtain the County Auditor's certificate that the Bonds have been entered in the County Auditor's Bond Register, and that the tax levy required by law has been made.

22. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser, and to the attorneys approving the legality of the issuance of the Bonds, certified copies of all proceedings and records of the City relating to the Bonds 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 Bonds 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.

23. Negative Covenant as to Use of Proceeds and Improvements. The City hereby covenants not to use the proceeds of the Bonds or to use the Improvements, or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the Improvements, 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.

24. Tax-Exempt Status of the Bonds; 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 Bonds, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the Bonds, and (3) the rebate of excess investment earnings to the United States if the Bonds (together with other obligations reasonably expected to be issued and outstanding at one time in this calendar year) exceed the small-issuer exception amount of \$5,000,000.

For purposes of qualifying for the exception to the federal arbitrage rebate requirements for governmental units issuing \$5,000,000 or less of bonds, the City hereby finds, determines and declares that (1) the Bonds are issued by a governmental unit with general taxing powers, (2) no Bond is a private activity bond, (3) ninety-five percent (95%) or more of the net proceeds of the Bonds are to be used for local governmental activities of the City (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the City), and (4) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and all subordinate entities thereof, and all entities treated as one issuer with the City) during the calendar year in which the Bonds are issued and outstanding at one time is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

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

- (a) the Bonds are issued after August 7, 1986;
- (b) the Bonds are not "private activity bonds" as defined in Section 141 of the Code;
- (c) the City hereby designates the Bonds as "qualified tax-exempt obligations" 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 1999 will not exceed \$10,000,000; and
- (e) not more than \$10,000,000 of obligations issued by the City during this calendar year 1999 have been designated for purposes of Section 265(b)(3) of the Code.

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.

26. Payment of Issuance Expenses. The City authorizes the Purchaser to forward the amount of Bond proceeds allocable to the payment of issuance expenses to Resource Bank & Trust Company, Minneapolis, Minnesota on the closing date for further distribution as directed by the City's financial advisor, Ehlers.

27. 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.

28. 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 Upton and, after a full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof: Mayor Swanson and Council Members Keiffer, Miller, Swanson and Upton

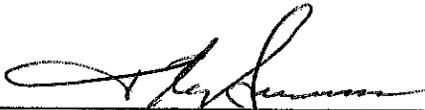
and the following voted against the same: None

Whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA
COUNTY OF CROW WING
CITY OF CROSSLAKE

I, the undersigned, being the duly qualified
Administrator of the City of Crosslake, 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 of said City, duly
called and held on the date therein indicated, insofar as such
minutes relate to authorizing the issuance of, and awarding the
sale of, \$735,000 General Obligation Improvement Bonds, Series
1999 of said City.

WITNESS my hand this 6th day of July, 1999.



Administrator