



## AGENDA REPORT

DATE: April 25, 2011

TO: The Honorable Mayor, City Council Members and Stakeholders

FROM: Finance, Marshall Hallock, CPA

RE: Agenda Item # 8.G. - Resolution No. 6240 Authorizing Fourth Amendment of the City's Taxable Golf Course Revenue Bond of 1998

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**ACTION REQUESTED:** Adopt Resolution No. 6240

**BACKGROUND:** This is the 4<sup>th</sup> amendment to the bond that financed the last addition to Mississippi National. It has been amended on three previous occasions; twice to take advantage of more favorable interest rates and once to extend the balloon date.

The current bond has a balloon feature dated May 1, 2011 that we desire to have extended to September 1, 2011 to avoid the possibility of a technical default.

The bond is a revenue obligation of the City and guaranteed by Wendell Pittenger in his name personally and on behalf of the corporations which are involved in the underlying golf course lease and/or bond guaranty, namely, Mississippi National Golf Links, Inc. and Wendell Pittenger Golf Operations, Inc.

Wendell Pittenger has explicitly acknowledged and agreed to this amendment both in his name personally and on behalf of the corporations which are involved in the underlying golf course lease and/or bond guaranty, namely, Mississippi National Golf Links, Inc. and Wendell Pittenger Golf Operations, Inc.

Mr. Dan Masset has agreed to this amendment on behalf of the bond holder, Associated Bank Minnesota, National Association.

**ATTACHMENTS:**

1. Resolution No. 6240 Resolution Authorizing Fourth Amendment to the City's Taxable Golf Course Revenue Bond of 1998.

## 2. Fourth Amendment to Bond.

### **DISCUSSION:**

The bond has a call feature of May 1, 2011 that we desire to have extended to September 1, 2011 to avoid the possibility of a technical default. The resolution and amendment authorize the extension of the bond's balloon feature. The resolution and amendment were drafted by our bond counsel, Ms. Mary Dyrseth of Kennedy & Graven, and consented to by Mr. Pittenger and Associated Bank.

As the Bond, was issued by the City and carries the City's name the Council must consent to the amendment to effectuate such. The parties to the bond request that the City Council execute the bond amendment by adopting the accompanying resolution.

### **ALTERNATIVES:**

Adopt – amendment is executed. Bond balloon feature extended to September 1.

Deny – amendment is not executed. Bond balloons on May 1 which may result in a technical default.

Table – amendment may or may not be executed at a later date. Bond balloons on May 1 which may result in a technical default.

### **RECOMMENDATION:**

Adopt the accompanying resolution in its current form thereby authorizing the desired extension.

(c) Pursuant to Resolution No. 5965, adopted by the City on February 23, 2009, the City amended the Bond to reduce the interest rate to 5.44 percent and to shorten the maturity to February 1, 2011.

(d) Pursuant to Resolution No. 6210, adopted by the City on February 14, 2011, the City amended the Bond to extend the final maturity date to May 1, 2011.

(e) The City and the Bank (as defined in clause (f) below) have agreed that the final maturity date of the Bond should be extended from May 1, 2011 to September 1, 2011.

(f) The Bond was purchased and continues to be owned by Associated Bank Minnesota, National Association (formerly known as Goodhue County National Bank) (the "Bank"), located in Red Wing, Minnesota, and the Bank has indicated its willingness, as the registered owner of the Bond, to consent to the changes in the Bond hereinafter described.

2. Amendment of Bond. Accordingly, the second paragraph of the Bond is hereby authorized to be amended to read as follows:

Advances; Maximum Principal Amount. The Owner hereby agrees, upon request of the City from time to time, to advance the principal amounts of this Bond to the City, subject to such conditions precedent thereto as may be contained in that certain Bond Purchase Agreement between the Owner and the City and that certain Disbursement Agreement respecting this Bond; provided, however, that the total amount so advanced shall not exceed \$1,700,000, and no such advance shall be required to be made after April 1, 2000. As hereinafter provided, payments are due on this Bond on June 1, 1998, on June 1, 1999, and on April 1, 2000, and on the first day of each month thereafter to and including the final maturity date of April 1, 2020 (each, a "Payment Date"); and the interest rate borne by the outstanding principal amounts of this Bond shall be 7.75% per annum through September 30, 2003, and shall be 6.75% per annum from October 1, 2003, through March 31, 2008. The interest rate borne by this Bond shall also be adjusted as of April 1, 2008 (the "Interest Rate Reset Date"), and the monthly payments due after the Interest Rate Reset Date shall be reamortized. In addition, and notwithstanding any other provision of the following paragraph hereof (or any other provision of this Bond) to the contrary, upon the change of the interest rate hereon to 6.75% as of October 1, 2003, the then unpaid principal amount of this Bond shall be reamortized over the then remaining term hereof at said revised 6.75% rate, and the monthly payments due hereon shall be accordingly adjusted, commencing with the payment due on November 1, 2003.

In addition, effective on February 1, 2009, the interest rate on this Bond shall be five and forty-four hundredths percent (5.44%) per annum and the final maturity date shall be September 1, 2011 (the "Final Maturity Date"). Principal

EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE  
CITY OF RED WING, MINNESOTA

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Red Wing, Minnesota, was duly held on April 25, 2011, in part for the purpose of consideration of amending the City's Taxable Golf Course Revenue Bond of 1998.

The following Councilmembers were present:

and the following were absent:

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During said meeting, \_\_\_\_\_

\_\_\_\_\_ introduced the following Resolution and moved its adoption:

**RESOLUTION NO. 6240**

RESOLUTION AUTHORIZING FOURTH AMENDMENT OF THE CITY'S  
TAXABLE GOLF COURSE REVENUE BOND OF 1998

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

1. Recitals. It is hereby determined:

(a) Pursuant to Resolution No. 3998 (the "Bond Resolution"), adopted by the Council on March 30, 1998, the City has issued its \$1,700,000 (original principal amount) Taxable Golf Course Revenue Bond of 1998, dated March 31, 1998 (the "Bond"), to finance certain golf course improvements.

(b) Pursuant to Resolution No. 5122, adopted by the City on October 12, 2003, the City amended the Bond to reduce the interest rate to 6.75 percent and to add certain prepayment premiums.

(c) Pursuant to Resolution No. 5965, adopted by the City on February 23, 2009, the City amended the Bond to reduce the interest rate to 5.44 percent and to shorten the maturity to February 1, 2011.

(d) Pursuant to Resolution No. 6210, adopted by the City on February 14, 2011, the City amended the Bond to extend the final maturity date to May 1, 2011.

(e) The City and the Bank (as defined in clause (e) below) have agreed that the final maturity date of the Bond should be extended from May 1, 2011 to September 1, 2011.

(f) The Bond was purchased and continues to be owned by Associated Bank Minnesota, National Association (formerly known as Goodhue County National Bank) (the "Bank"), located in Red Wing, Minnesota, and the Bank has indicated its willingness, as the registered owner of the Bond, to consent to the changes in the Bond hereinafter described.

2. Amendment of Bond. Accordingly, the second paragraph of the Bond is hereby authorized to be amended to read as follows:

Advances; Maximum Principal Amount. The Owner hereby agrees, upon request of the City from time to time, to advance the principal amounts of this Bond to the City, subject to such conditions precedent thereto as may be contained in that certain Bond Purchase Agreement between the Owner and the City and that certain Disbursement Agreement respecting this Bond; provided, however, that the total amount so advanced shall not exceed \$1,700,000, and no such advance shall be required to be made after April 1, 2000. As hereinafter provided, payments are due on this Bond on June 1, 1998, on June 1, 1999, and on April 1, 2000, and on the first day of each month thereafter to and including the final maturity date of April 1, 2020 (each, a "Payment Date"); and the interest rate borne by the outstanding principal amounts of this Bond shall be 7.75% per annum through September 30, 2003, and shall be 6.75% per annum from October 1, 2003, through March 31, 2008. The interest rate borne by this Bond shall also be adjusted as of April 1, 2008 (the "Interest Rate Reset Date"), and the monthly payments due after the Interest Rate Reset Date shall be reamortized. In addition, and notwithstanding any other provision of the following paragraph hereof (or any other provision of this Bond) to the contrary, upon the change of the interest rate hereon to 6.75% as of October 1, 2003, the then unpaid principal amount of this Bond shall be reamortized over the then remaining term hereof at said revised 6.75% rate, and the monthly payments due hereon shall be accordingly adjusted, commencing with the payment due on November 1, 2003.

In addition, effective on February 1, 2009, the interest rate on this Bond shall be five and forty-four hundredths percent (5.44%) per annum and the final maturity date shall be September 1, 2011 (the "Final Maturity Date"). Principal

and interest shall be payable in monthly installments of \$10,150.99 commencing on March 1, 2009 until September 1, 2011, at which time all principal and interest hereon shall be due and payable.

3. Fourth Amendment to Bond. The foregoing amendments shall be set out in the form of a Fourth Amendment to Bond (the "Fourth Amendment") which has been presented for the Council's consideration and shall be executed by the appropriate City and Bank officials and shall be permanently attached to the existing and outstanding Bond. Except as otherwise provided in this Resolution, all of the provisions of the Bond Resolution are hereby ratified and shall remain in full force and effect.

4. Fourth Amendment and Confirmation of Bond Resolution. Effective upon the City's execution of the Fourth Amendment, which is hereby authorized, this Resolution amends and supplements the Bond Resolution, which the City hereby restates, ratifies and confirms, as so amended and supplemented.

Adopted by the Council this 25<sup>th</sup> day of April, 2011.

\_\_\_\_\_  
Ralph Rauterkus, Council President

ATTEST:

\_\_\_\_\_  
Kathy Seymour Johnson, City Clerk

(Seal)

Presented to the Mayor at \_\_\_\_\_ pm on this 25<sup>th</sup> day of April, 2011.  
Approved this 25<sup>th</sup> day of April, 2011.

\_\_\_\_\_  
Dennis Egan, Mayor

## CERTIFICATION

I, the undersigned City Clerk of the City of Red Wing, Minnesota, do hereby certify the following:

The foregoing is true and correct copy of a Resolution on file and of record in the offices of the City, which Resolution relates to the fourth amendment by the City of its Taxable Golf Course Revenue Bond of 1998. Said Resolution was duly adopted by the Red Wing City Council at a regular or special meeting of the Council held on the date therein indicated. Said meeting was duly called and regularly held and was open to the public and was held at the place at which meetings of the Council are regularly held, a quorum of the Council being present and acting throughout. Councilmember \_\_\_\_\_ moved the adoption of the Resolution, which motion was seconded by Councilmember \_\_\_\_\_. A vote being taken on the motion, the following members of the Council voted in favor of the Resolution:

\_\_\_\_\_.

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted. The Resolution is in full force and effect and no action has been taken by the Council which would in any way alter or amend the Resolution.

WITNESS MY HAND officially as the City Clerk of the City of Red Wing, Minnesota, this \_\_\_\_\_ day of April, 2011.

(SEAL)

\_\_\_\_\_  
City Clerk  
City of Red Wing, Minnesota

## FOURTH AMENDMENT TO BOND

The second paragraph of the foregoing Bond, being the Taxable Golf Course Revenue Bond of 1998, dated March 31, 1998, of the City of Red Wing, Minnesota, is hereby amended to read as follows:

Advances; Maximum Principal Amount. The Owner hereby agrees, upon request of the City from time to time, to advance the principal amounts of this Bond to the City, subject to such conditions precedent thereto as may be contained in that certain Bond Purchase Agreement between the Owner and the City and that certain Disbursement Agreement respecting this Bond; provided, however, that the total amount so advanced shall not exceed \$1,700,000, and no such advance shall be required to be made after April 1, 2000. As hereinafter provided, payments are due on this Bond on June 1, 1998, on June 1, 1999, and on April 1, 2000, and on the first day of each month thereafter to and including the final maturity date of April 1, 2020 (each, a "Payment Date"); and the interest rate borne by the outstanding principal amounts of this Bond shall be 7.75% per annum through September 30, 2003, and shall be 6.75% per annum from October 1, 2003, through March 31, 2008. The interest rate borne by this Bond shall also be adjusted as of April 1, 2008 (the "Interest Rate Reset Date"), and the monthly payments due after the Interest Rate Reset Date shall be reamortized. In addition, and notwithstanding any other provision of the following paragraph hereof (or any other provision of this Bond) to the contrary, upon the change of the interest rate hereon to 6.75% as of October 1, 2003, the then unpaid principal amount of this Bond shall be reamortized over the then remaining term hereof at said revised 6.75% rate, and the monthly payments due hereon shall be accordingly adjusted, commencing with the payment due on November 1, 2003.

In addition, effective on February 1, 2009, the interest rate on this Bond shall be five and forty-four hundredths percent (5.44%) per annum and the final maturity date shall be September 1, 2011 (the "Final Maturity Date"). Principal and interest shall be payable in monthly installments of \$10,150.99 commencing on March 1, 2009 until September 1, 2011, at which time all principal and interest hereon shall be due and payable.

The undersigned Associated Bank Minnesota, National Association, certifies (and the City acknowledges) that it was formerly known as Goodhue County National Bank and that it is accordingly the Owner of the Bond as of the nominal date hereof and the date of actual execution hereof.

IN WITNESS WHEREOF, the City of Red Wing, Minnesota, by its City Council, its governing body, has caused this Fourth Amendment to Bond to be executed in its name and on its behalf by the manual signatures of its Mayor, City Clerk and Council Administrator and has caused the official seal of the City to be omitted herefrom. This Fourth Amendment to Bond is dated as of April 25, 2011.

CITY OF RED WING, MINNESOTA

By \_\_\_\_\_  
Dennis Egan, Mayor

By \_\_\_\_\_  
Kathy Johnson, City Clerk

By \_\_\_\_\_  
Kay Kuhlmann, Council Administrator

Associated Bank Minnesota, National Association (formerly known as Goodhue County National Bank), as Owner of the subject Bond.

By \_\_\_\_\_  
Its \_\_\_\_\_

[Signature page to Fourth Amendment to Bond]