



## AGENDA REPORT

DATE: September 12, 2011

TO: The Honorable Mayor, City Council Members and Stakeholders

FROM: Finance, Marshall Hallock, CPA

RE: Agenda Item # 9.C.2. - Resolution No. 6320 Authorizing Fourth Amendment of the City's Taxable Golf Course Revenue Bond of 1998.

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**ACTION REQUESTED:** Adopt Resolution No. 6320

**BACKGROUND:** This is an amendment to the 4<sup>th</sup> amendment to the Bond. On April 25, 2011 the City Council adopted Resolution No. 6240 which extended the final maturity of the City's Taxable Golf Course Revenue Bond of 1998 ("Bond") to September 1, 2011. At the time Resolution No. 6240 was adopted I was unaware that the bank authorized extending the final maturity to November 1, 2011. Having become aware of the banks authorization Staff recommends extending the final maturity date of the Bond to November 1, 2011. Resolution No. 6320 amends the previously adopted Resolution No. 6240 and conforms the Fourth Amendment to the Bond to extend the final maturity of the Bond to November 1, 2011.

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. 6320 Resolution Authorizing Fourth Amendment of the City's Taxable Golf Course Revenue Bond of 1998.
2. Fourth Amendment to Bond.

**DISCUSSION:**

As noted in the BACKGROUND section of this document the Bond currently carries a final maturity date of September 1, 2011. Staff recommends extending the final maturity date of the Bond to November 1, 2011 to avoid the possibility of a technical default. Resolution No. 6320 amends Res No. 6240 and conforms the Fourth Amendment to the Bond to extend the final maturity of the Bond to November 1, 2011.

The accompanying Resolution 6320 and the Fourth Amendment to the Bond were drafted by our bond counsel, Ms. Mary Dyrseth of Kennedy & Graven, and consented to by Mr. Pittenger and Associated Bank Minnesota, National Association.

As the Bond was issued by the City and carries the City's name any proposed changes to the Bond must receive City Council authorization. Staff recommends, and the parties to the Bond request, that the City Council adopt Resolution No. 6320 thereby authorizing the amendment to the Bond extending its final maturity date to November 1, 2011.

**ALTERNATIVES:**

Adopt – amendment is executed. Bond's final maturity date is extended to November 1, 2011.

Deny – amendment is not executed. Bond therefore will have technically matured and may be considered in default by the bond holder.

Table – amendment may or may not be executed at a later date. Bond therefore will have technically matured and may be considered in default by the bond holder.

**RECOMMENDATION:**

Adopt Resolution No. 6320 authorizing the extension of the final maturity date of the Bond to November 1, 2011.

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 September 12, 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. 6320**

**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 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.

(f) On April 25, 2011 the City Council adopted Resolution No. 6240 and delivered an amendment to the Bank which extended the final maturity date of the Bond from May 1, 2011 to September 1, 2011.

(g) The Bank had previously authorized extending the final maturity date of the Bond from May 1, 2011 to November 1, 2011 and the City is now conforming the Fourth Amendment to the Bond to extend the final maturity date of the Bond to November 1, 2011.

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 November 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 November 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 12<sup>th</sup> day of September, 2011.

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Ralph Rauterkus, Council President

ATTEST:

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Kathy Seymour Johnson, City Clerk

(Seal)

Presented to the Mayor at \_\_\_\_\_ pm on this \_\_\_\_\_ day of September, 2011.

Approved this \_\_\_\_\_ day of September, 2011.

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Dennis Egan, Mayor

## 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 November 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 November 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 September 12, 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]