



MAYOR & COUNCIL COMMUNICATION

DATE: May 17, 2016

REGULAR \$\$

ITEM # 23

AGENDA ITEM: Presentation of Bond Issuance Results; \$9,860,000 General Obligation Improvement Bond Series 2016A

SUBMITTED BY: Cathy Bendel, Finance Director

THROUGH: Tammy Omdal, Senior Vice President, Northland Securities

REVIEWED BY: Tammy Omdal, Northland Securities
Kristina Handt, City Administrator

SUGGESTED ORDER OF BUSINESS:

- Questions from Council to Staff Mayor Facilitates
- Report/Presentations.....City Staff, Northland Securities
- Questions from Council to Staff.....Mayor Facilitates
- Public Input, if Appropriate.....Mayor Facilitates
- Call for Motion Mayor & City Council
- Discussion Mayor & City Council
- Action on Motion..... Mayor Facilitates

POLICY RECOMMENDER: Finance

FISCAL IMPACT:

The City will have the responsibility for the debt service on the issuance of \$9,860,000 of new debt as presented in the Financing Plan.

SUMMARY AND ACTION REQUESTED:

On May 3, 2016, the City authorized the issuance and sale of \$9,860,000 in General Obligation Improvement Bonds, Series 2016A. Resolution No. 2016-44 awards the sale, prescribes the forms and details and provides for the payment of \$9,860,000 to the City of Lake Elmo. The recommended motion for this action is as follows:

“Move to approve Resolution No. 2016-44 awarding the sale, prescribing the form and details and providing for the payment of \$9,860,000 General Obligation Bonds, Series 2016A”

STAFF REPORT: Northland Securities will accept bids on the 2016A Bonds on Tuesday, May 17, 2016 at 10:30 A.M. Tammy Omdal, Senior Vice President with Northland Securities will present the results of the sale of the 2016A Bonds and respond to inquiries.

RECOMMENDATION:

It is recommended that the City Council approve Resolution 2016-44 authorizing the issuance and sale of \$9,860,000 in General Obligation Bonds, Series 2016A.

“Move to approve Resolution No. 2016-44 awarding the sale, prescribing the form and details and providing for the payment of \$9,860,000 General Obligation Bonds, Series 2016A”

ATTACHMENT(S):

1. Resolution No. 2016-44
2. Moody’s rating report dated May 11th, 2016

CERTIFICATION OF MINUTES RELATING TO
\$9,860,000 GENERAL OBLIGATION BONDS, SERIES 2016A

Issuer: City of Lake Elmo, Minnesota

Governing Body: City Council

Kind, date, time and place of meeting: A regular meeting held on May 17, 2016, at 7:00 p.m., at the City Hall.

Members present:

Members absent:

Documents Attached:

Minutes of said meeting (including):

RESOLUTION NO. 2016-44

RESOLUTION AUTHORIZING ISSUANCE, AWARDING SALE,
PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE
PAYMENT OF \$9,860,000 GENERAL OBLIGATION BONDS, SERIES 2016A

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the bonds referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this 17th day of May, 2016.

City Clerk

It was reported that _____ (___) proposals for the purchase of \$9,860,000 General Obligation Bonds, Series 2016A were received prior to 10:30 A.M., Central Time, pursuant to the Official Statement distributed to potential purchasers of the Bonds by Northland Securities, Inc., municipal advisor to the City. The proposals have been publicly opened, read and tabulated and were found to be as follows:

See Attached

Councilmember _____ introduced the following resolution and moved its adoption, which motion was seconded by Councilmember _____:

RESOLUTION AUTHORIZING ISSUANCE, AWARDING SALE,
PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE
PAYMENT OF \$9,860,000 GENERAL OBLIGATION BONDS, SERIES 2016A

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

SECTION 1. AUTHORIZATION AND SALE.

1.01. Authorization. This City Council, by resolution duly adopted on May 3, 2016, authorized the issuance and sale of its General Obligation Bonds, Series 2016A (the "Bonds"), pursuant to Minnesota Statutes, Chapters 429, 444 and 475, for the purpose of (a) financing various improvement projects in the City (the "Improvements Project"), (b) financing various street, water, sewer and storm water improvements in the City (the "Utility Project"), and (c) funding costs of issuance of the Bonds (collectively, the "Project").

1.02. Sale. Pursuant to the Notice of Sale and the Preliminary Official Statement prepared on behalf of the City by Northland Securities, Inc., municipal advisor to the City, sealed or electronic proposals for the purchase of the Bonds were received at or before the time specified for receipt of proposals. The proposals have been opened, publicly read and considered and the purchase price, interest rates and net interest cost under the terms of each proposal have been determined. The most favorable proposal received is that of _____, in _____, _____ (the "Purchaser"), to purchase the Bonds in the principal amount of \$9,860,000, at a price of \$_____ plus accrued interest, if any, on all Bonds to the day of delivery and payment, on the further terms and conditions hereinafter set forth. The principal amount of the portion of the Bonds, \$_____ allocable to the Improvements Project shall be designated as the "Improvement Bonds," and the principal amount of the portion of the Bonds allocable to the Utility Project, \$_____, shall be designated as the "Utility Bonds."

1.03. Award. The sale of the Bonds is hereby awarded to the Purchaser, and the Mayor and City Finance Director are hereby authorized and directed on behalf of the City to execute a contract for the sale of the Bonds with the Purchaser in accordance with the Preliminary Official Statement. The good faith deposit of the Purchaser shall be retained and deposited by the City until the Bonds have been delivered, and shall be deducted from the purchase price paid at settlement.

SECTION 2. BOND TERMS; REGISTRATION; EXECUTION AND DELIVERY.

2.01. Issuance of Bonds. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Bonds having been done, now existing, having happened and having been performed, it is now necessary for the Council to establish the form and terms of the Bonds, to provide security therefor and to issue the Bonds forthwith.

2.02. Maturities; Interest Rates; Denominations and Payment. The Bonds shall be originally dated as of June 1, 2016, shall be in the denomination of \$5,000 each, or any integral multiple thereof, of single maturities, shall mature on January 15 in the years and amounts stated below, and shall bear interest from date of issue until paid or duly called for redemption, at the annual rates set forth opposite such years and amounts, as follows:

Maturity	Improvement Bonds	Utility Bonds	Total	Rate
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				

[REVISE MATURITY SCHEDULE FOR ANY TERM BONDS]

The Bonds shall be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof shall be payable by check or draft issued by the Registrar described herein, provided that so long as the Bonds are registered in the name of a securities depository, or a nominee thereof, in accordance with Section 2.08 hereof, principal and interest shall be payable in accordance with the operational arrangements of the securities depository.

2.03. Dates and Interest Payment Dates. Upon initial delivery of the Bonds pursuant to Section 2.07 and upon any subsequent transfer or exchange pursuant to Section 2.06, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. Interest on the Bonds shall be payable on January 15 and July 15 in each year, commencing January 15, 2017, each such date being referred to herein as an Interest Payment Date, to the persons in whose names the Bonds are registered on the Bond Register, as hereinafter defined, at the Registrar's close of business on the first day of the calendar month in which such Interest Payment Date occurs, whether or not such day is a business day. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

2.04. Redemption. Bonds maturing on January 15, 2025 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in integral multiples of \$5,000, on January 15, 2024, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City Finance Director shall cause notice of the call for redemption thereof to be published if and as required by law, and at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the Registrar and registered holders of any Bonds to be redeemed at their addresses as they appear on the Bond Register described in Section 2.06 hereof, provided that notice shall be given to any securities depository in accordance with its operational arrangements. No defect in or failure to give such notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

[COMPLETE THE FOLLOWING PROVISIONS IF THERE ARE TERM BONDS –
ADD ADDITIONAL PROVISIONS IF THERE ARE MORE THAN TWO TERM BONDS]

[Bonds maturing on January 15, 20____ and 20____ (the “Term Bonds”) shall be subject to mandatory redemption prior to maturity pursuant to the sinking fund requirements of this Section 2.04 at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Registrar shall select for redemption, by lot or other manner deemed fair, on January 15 in each of the following years the following stated principal amounts of such Bonds:

_____ Year	_____ Principal Amount
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The remaining \$_____ stated principal amount of such Bonds shall be paid at maturity on January 15, 20_____.

_____ Year	_____ Principal Amount
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The remaining \$_____ stated principal amount of such Bonds shall be paid at maturity on January 15, 20_____.

Notice of redemption shall be given as provided in the preceding paragraph.]

2.05. Appointment of Registrar. The City hereby appoints Northland Trust Services, Inc., in Minneapolis, Minnesota, as the initial Bond registrar, transfer agent and paying agent (the “Registrar”). The Mayor and City Finance Director are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company organized under the laws of the United States or one of the states of the United States and authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove the Registrar, effective upon not less than thirty days’ written notice and upon the appointment and acceptance of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the Bond Register to the successor Registrar.

2.06. Registration. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal corporate trust office a register (the “Bond Register”) in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged. The term Holder or Bondholder as used herein shall mean the person (whether a natural person, corporation, association, partnership, trust, governmental unit, or other legal entity) in whose name a Bond is registered in the Bond Register.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the Holder thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the Holder thereof or by an attorney duly authorized by the Holder in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the first day of the month in which the interest payment date occurs and until such interest payment date.

(c) Exchange of Bonds. At the option of the Holder of any Bond in a denomination greater than \$5,000, such Bond may be exchanged for other Bonds of authorized denominations, of the same maturity and a like aggregate principal amount, upon surrender of the Bond to be exchanged at the office of the Registrar. Whenever any Bond is so surrendered for exchange the City shall execute and the Registrar shall authenticate and deliver the Bonds which the Bondholder making the exchange is entitled to receive.

(d) Cancellation. All Bonds surrendered for payment, transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of the Bond, whether the Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal of and interest on the Bond and for all other purposes; and all payments made to or upon the order of such Holder shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Bonds (except for an exchange upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that the Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

(i) Authenticating Agent. The Registrar is hereby designated authenticating agent for the Bonds, within the meaning of Minnesota Statutes, Section 475.55, Subdivision 1, as amended.

(j) Valid Obligations. All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the City, evidencing the same debt, and entitled to the same benefits under this Resolution as the Bonds surrendered upon such transfer or exchange.

2.07. Execution, Authentication and Delivery. The Bonds shall be prepared under the direction of the City Finance Director and shall be executed on behalf of the City by the signatures of the Mayor and the City Finance Director, provided that the signatures may be

printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until the date of delivery of such Bond. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on the Bond, substantially in the form provided in Section 2.09, has been executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on any Bond shall be conclusive evidence that it has been duly authenticated and delivered under this Resolution. When the Bonds have been prepared, executed and authenticated, the City Finance Director shall deliver them to the Purchaser upon payment of the purchase price in accordance with the contract of sale theretofore executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

2.08. Securities Depository. (a) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds bonds as securities depository.

“Representation Letter” shall mean the Representation Letter pursuant to which the City agrees to comply with DTC’s Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the Bond Register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to

the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of physical certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The execution and delivery of the Representation Letter to DTC, if not previously filed with DTC, by the Mayor or City Finance Director is hereby authorized and directed.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of physical certificates and the method of payment of principal of and interest on such Bonds in the form of physical certificates.

2.09. Form of Bonds. The Bonds shall be prepared in substantially the form found at EXHIBIT A attached hereto.

Section 3. USE OF PROCEEDS; PROJECT FUND.

3.01. Project Fund

There is hereby created a special bookkeeping fund to be designated as the "General Obligation Bonds, Series 2016A Project Fund" (the "Project Fund"), to be held and administered

by the City Finance Director separate and apart from all other funds of the City. Within the Project Fund are established the following accounts:

(a) Improvements Project Account. The Improvements Project Account shall be credited with (i) \$_____ from the proceeds from the Bonds and (ii) all special assessments collected with respect to the Improvements Project until all costs of the Improvements Project have been fully paid. The City Finance Director shall maintain the Improvements Project Account until payment of all costs and expenses incurred in connection with the construction of the Improvements Project have been paid.

(b) Utility Project Account. The Utility Project Account shall be credited with \$_____ from the proceeds of the Bonds. The City Finance Director shall maintain the Utility Project Account until all costs and expenses incurred by the City in connection with the construction of the Utility Project have been paid.

From the Project Fund there shall be paid all costs and expenses related to the construction and acquisition of the Project. After payment of all such costs and expenses, the Project Fund shall be terminated. All funds on hand in the Project Fund when terminated shall be credited to the Bond Fund described in Section 4 hereof, unless and except as such proceeds may be transferred to some other fund or account as to which the City has received from bond counsel an opinion that such other transfer is permitted by applicable laws and does not impair the exemption of interest on the Bonds from federal income taxes. In no event shall funds remain in the Project Fund later than June 1, 2021.

SECTION 4. GENERAL OBLIGATION BONDS, SERIES 2016A BOND FUND. The Bonds shall be payable from a separate General Obligation Bonds, Series 2016A Bond Fund (the “Bond Fund”) of the City, which shall be created and maintained on the books of the City as a separate debt redemption fund until the Bonds, and all interest thereon, are fully paid. Into the Bond Fund shall be paid (a) any funds received from the Purchaser upon delivery of the Bonds in excess of the amounts specified in Section 3 above; (b) special assessments levied and collected in accordance with this Resolution except as otherwise provided in Section 3.01, clause (a) hereof; (c) net revenues of the municipal water, sewer and storm water systems, such revenues to be distributed ratably with respect to the Utility Bonds payable therefrom and any other obligations of the City payable from the same source; (d) any taxes collected pursuant to Section 7 hereof; and (e) any other funds appropriated by this Council for the payment of the Bonds. The principal of and interest on the Bonds shall be payable from the Bond Fund, and the money on hand in the Bond Fund from time to time shall be used only to pay the principal of and interest on the Bonds. On or before each principal and interest payment date for the Bonds, the City Finance Director is directed to remit to the Registrar from funds on deposit in the Bond Fund the amount needed to pay principal and interest on the Bonds on the next succeeding principal and interest payment date.

There are hereby established two accounts in the Bond Fund, designated as the “Debt Service Account” and the “Surplus Account.” There shall initially be deposited into the Debt Service Account upon the issuance of the Bonds the amount set forth in clause (a) above. Thereafter, during each bond year (each twelve month period commencing on January 16 and ending on the following January 15, a “Bond Year”), as monies are received into the Bond Fund,

the City Finance Director shall first deposit such monies into the Debt Service Account until an amount has been appropriated thereto sufficient to pay all principal and interest due on the Bonds through the end of the Bond Year. All subsequent monies received in the Bond Fund during the Bond Year shall be appropriated to the Surplus Account. If at any time the amount on hand in the Debt Service Account is insufficient for the payment of principal and interest then due, the City Finance Director shall transfer to the Debt Service Account amounts on hand in the Surplus Account to the extent necessary to cure such deficiency. Investment earnings (and losses) on amounts from time to time held in the Debt Service Account and Surplus Account shall be credited or charged to said accounts.

If the balance in the Bond Fund is at any time insufficient to pay all interest and principal then due on all Bonds payable therefrom, the payment shall be made from any fund of the City which is available for that purpose, subject to reimbursement from the Surplus Account when the balance therein is sufficient, and the City covenants and agrees that it will each year levy a sufficient amount of ad valorem taxes to take care of any accumulated or anticipated deficiency, which levy is not subject to any constitutional or statutory limitation.

SECTION 5. SPECIAL ASSESSMENTS. The City hereby covenants and agrees that, for the payment of the costs of the Improvements Project, the City has done or will do and perform all acts and things necessary for the final and valid levy of special assessments in the principal amount of \$_____, which is not less than 20% of the cost of the Improvements Project. The principal of and interest on such special assessments are estimated to be levied and collected in the years and amounts shown on EXHIBIT B attached hereto. The principal of the assessments shall be made payable in annual installments, with interest as established by this Council in accordance with law on unpaid installments thereof from time to time remaining unpaid. In the event any special assessment shall at any time be held invalid with respect to any lot or tract of land, due to any error, defect or irregularity in any action or proceeding taken or to be taken by the City or by this Council or by any of the officers or employees of the City, either in the making of such special assessment or in the performance of any condition precedent thereto, the City hereby covenants and agrees that it will forthwith do all such further things and take all such further proceedings as shall be required by law to make such special assessment a valid and binding lien upon said property.

SECTION 6. PLEDGE OF NET REVENUES. It is hereby found, determined and declared that the City owns and operates its municipal water, sewer and storm water systems as revenue-producing utilities and as a convenience, and that the net operating revenues of the systems, after deducting from the gross receipts derived from charges for the service, use and availability of the systems the normal, current and reasonable expenses of operation and maintenance thereof, will be sufficient, together with any other pledged funds, for the payment when due of the principal of and interest on the Utility Bonds and on any other bonds to which such revenues are pledged.

Pursuant to Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the registered owners from time to time of the Bonds that until the Bonds and the interest thereon are discharged as provided in Section 8 or paid in full, the City will impose and collect reasonable charges in accordance with said Section 444.075 for the service, use and availability of its municipal water and storm water systems according to schedules sufficient to produce net revenues sufficient, with other funds pledged to payment of the Utility Bonds, to pay the Utility

Bonds and any other bonds to which said net revenues have been pledged; and the net revenues, to the extent necessary, are hereby irrevocably pledged and appropriated to the payment of the Bonds and interest thereon when due. Nothing herein shall preclude the City from hereafter making further pledges and appropriations of the net revenues of its municipal water, sewer and storm water systems for payment of additional obligations of the City hereafter authorized if the Council determines before the authorization of such additional obligations that the estimated net revenues of the systems will be sufficient, together with any other sources pledged to the payment of the outstanding and additional obligations, for payment of the outstanding bonds and such additional obligations. Such further pledges and appropriations of net revenues may be made superior or subordinate to or on a parity with, the pledge and appropriation herein made.

SECTION 7. PLEDGE OF TAXING POWERS. For the prompt and full payment of the principal of and interest on the Bonds as such payments respectively become due, the full faith, credit and unlimited taxing powers of the City shall be and are hereby irrevocably pledged. In order to produce aggregate amounts which, together with the collections of other amounts as set forth in Section 4, will produce amounts not less than 5% in excess of the amounts needed to meet when due the principal and interest payments on the Bonds, ad valorem taxes are hereby levied on all taxable property in the City, the taxes to be levied and collected in the following years and amounts:

<u>Levy Years</u>	<u>Collection Years</u>	<u>Amount</u>
See attached schedules		

The taxes shall be irrepealable as long as any of the Bonds are outstanding and unpaid, provided that the City reserves the right and power to reduce the tax levies from other legally available funds, in accordance with the provisions of Minnesota Statutes, Section 475.61.

SECTION 8. DEFEASANCE. When all of the Bonds have been discharged as provided in this Section, all pledges, covenants and other rights granted by this Resolution to the Holders of the Bonds shall cease. The City may discharge its obligations with respect to any Bonds which are due on any date by depositing with the 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 Registrar a sum sufficient for the payment thereof in full with interest accrued from the due date 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 Registrar on or before that date an amount equal to the principal, redemption premium, if any, and interest then due, provided that notice of such redemption has been duly given as provided herein. 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 the Registrar or with a bank or trust company qualified by law to act as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited for such purpose, bearing interest payable at such times and at such rates and maturing or callable at the holder's option on such dates as shall be required to pay all principal and interest to become due thereon to maturity or, if notice of redemption as herein required has been irrevocably provided for, to an

earlier designated redemption date. If such deposit is made more than ninety days before the maturity date or specified redemption date of the Bonds to be discharged, the City must have received a written opinion of Bond Counsel to the effect that such deposit does not adversely affect the exemption of interest on any Bonds from federal income taxation and a written report of an accountant or investment banking firm verifying that the deposit is sufficient to pay when due all of the principal and interest on the Bonds to be discharged on and before their maturity dates or earlier designated redemption date.

SECTION 8. TAX COVENANTS; ARBITRAGE MATTERS AND CONTINUING DISCLOSURE.

8.01. General Tax Covenant. The City agrees with the registered owners from time to time of the Bonds that it will not take, or permit to be taken by any of its officers, employees or agents, any action that would cause interest on the Bonds to become includable in gross income of the recipient under the Internal Revenue Code of 1986, as amended (the “Code”) and applicable Treasury Regulations (the “Regulations”), and agrees to take any and all actions within its powers to ensure that the interest on the Bonds will not become includable in gross income of the recipient under the Code and the Regulations. All proceeds of the Bonds deposited in the Project Fund will be expended solely for the payment of the costs of the Project. The Project is and will be owned and maintained by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, management contract, use agreement, capacity agreement or other agreement with any non-governmental person relating to the use of the Project, or any portion thereof, or security for the payment of the Bonds which might cause the Bonds to be considered “private activity bonds” or “private loan bonds” pursuant to Section 141 of the Code.

8.02. Arbitrage Certification. The Mayor and City Finance Director being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with Section 148 of the Code, and applicable Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of the Code and Regulations.

8.03. Arbitrage Rebate. The City acknowledges that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations unless the Bonds qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no “gross proceeds” of the Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

8.04. Qualified Tax-Exempt Obligations. The City Council hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of tax-exempt obligations (within the meaning of Section

265(b)(3) of the Code) which will be issued by the City and all subordinate entities during calendar year 2016 does not exceed \$10,000,000.

8.05. Reimbursement. The City certifies that the proceeds of the Bonds will not be used by the City to reimburse itself for any expenditure with respect to the Project which the City paid or will have paid more than 60 days prior to the issuance of the Bonds unless, with respect to such prior expenditures, the City shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations, provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Project meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Project as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Bonds.

8.06. Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner owner means, in respect of the Bonds, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of the Bonds, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bonds (including persons or entities holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bonds for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) On or before 12 months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2015, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: “Economic and Financial Information—Valuations”; “--Tax Capacity Rates” and “—Tax Levies and Collections” and “Summary of Debt and Debt Statistics.”

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public by the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access System (EMMA). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
- (A) principal and interest payment delinquencies;
 - (B) non-payment related defaults;
 - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) substitution of credit or liquidity providers, or their failure to perform;
 - (F) adverse tax opinions or events affecting the tax-exempt status of the security;
 - (G) modifications to rights of security holders;
 - (H) bond calls;
 - (I) defeasances;
 - (J) release, substitution, or sale of property securing repayment of the securities;
 - (K) rating changes;
 - (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
 - (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell the Bonds or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of the Bonds within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary

qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SECTION 9. CERTIFICATION OF PROCEEDINGS.

9.01. Registration of Bonds. The City Finance Director is hereby authorized and directed to file a certified copy of this resolution with the County Auditor of Washington County, together with such additional information as is required, and to obtain a certificate that the Bonds and the taxes levied pursuant hereto have been duly entered upon the County Auditor's Bond register.

9.02. Authentication of Transcript. The officers of the City and the County Auditor are hereby authorized and directed to prepare and furnish to the Purchaser and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records relating to the Bonds and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Bonds, as the same appear from the books and records in their custody and control or as otherwise known to them, and all such certified copies, affidavits and certificates, including any heretofore furnished, shall be deemed representations of the City as to the correctness of all statements contained therein.

9.03. Official Statement. The Preliminary Official Statement relating to the Bonds, dated as of _____, 2016 prepared and distributed by Northland Securities, Inc., is hereby approved. Northland Securities, Inc., is hereby authorized on behalf of the City to prepare and distribute to the Purchaser within seven business days from the date hereof, a Final Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Bonds required to be included in the Official Statement by Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The officers of the City are hereby authorized and directed

to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

9.04. Authorization of Payment of Certain Costs of Issuance of the Bonds. The City authorizes the Purchaser to forward the amount of Bond proceeds allocable to the payment of issuance expenses to the Registrar on the closing date for further distribution as directed by Northland Securities, Inc.

9.05. Effective Date. This resolution shall be in full force and effect from and after its passage.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the Resolution was declared duly passed and adopted.

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF WASHINGTON

CITY OF LAKE ELMO

GENERAL OBLIGATION BONDS,
SERIES 2016A

R-____ \$_____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP No.</u>
____%	January 15, 20__	June 1, 2016	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

CITY OF LAKE ELMO, State of Minnesota (the “City”) acknowledges itself to be indebted and for value received hereby promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above on the maturity date specified above and promises to pay interest thereon from the date of original issue specified above or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, at the annual interest rate specified above, payable on January 15 and July 15 in each year, commencing January 15, 2017 (each such date, an “Interest Payment Date”), all subject to the provisions referred to herein with respect to the redemption of the principal of this Bond before maturity. The interest so payable on any Interest Payment Date shall be paid to the person in whose name this Bond is registered at the close of business on the first day (whether or not a business day) of the calendar month in which such Interest Payment Date occurs. Interest hereon shall be computed on the basis of a 360-day year composed of twelve 30-day months. The interest hereon and, upon presentation and surrender hereof at the principal office of the agent of the Registrar described below, the principal hereof are payable in lawful money of the United States of America by check or draft drawn on Northland Trust Services, Inc., Minneapolis, Minnesota, as Bond registrar, transfer agent and paying agent, or its successor designated under the Resolution described herein (the “Registrar”) or other agreed-upon means of payment by the Registrar or its designated successor. For the prompt and full payment of such principal and interest as the same respectively come due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

This Bond is one of an issue (the “Bonds”) in the aggregate principal amount of \$9,860,000 issued pursuant to a resolution adopted by the City Council on May 17, 2016 (the “Resolution”), to finance various street, water, sewer and storm water improvements and to fund the costs of issuance of the Bonds. This Bond issued by authority of and in strict accordance with the provisions of the Constitution and laws of the State of Minnesota thereunto enabling, including Minnesota Statutes, Chapters 429, 444 and 475. For the full and prompt payment of the principal of and interest on the Bonds as the same become due, the full faith, credit and taxing power of the City have been and are hereby

irrevocably pledged. The Bonds are issuable only in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, of single maturities.

Bonds maturing on January 15, 2025 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the Bond depository in accordance with its customary procedures) in multiples of \$5,000, on January 15, 2024, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City shall cause notice of the call for redemption thereof to be published if and to the extent required by law, and at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail (or, if applicable, provided in accordance with the operational arrangements of the securities depository), to the registered holders of any Bonds, at the holders' addresses as they appear on the Bond register maintained by the Bond Registrar, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

[COMPLETE THE FOLLOWING PROVISIONS IF THERE ARE TERM BONDS –
ADD ADDITIONAL PROVISIONS IF THERE ARE MORE THAN TWO TERM BONDS]

[Bonds maturing in the years 20____ and 20____ shall be subject to mandatory redemption, at a redemption price equal to their principal amount plus interest accrued thereon to the redemption date, without premium, on January 15 in each of the years shown below, in an amount equal to the following principal amounts:

<u>Term Bonds Maturing in 20____</u>		<u>Term Bonds Maturing in 20____</u>	
<u>Sinking Fund Payment Date</u>	<u>Aggregate Principal Amount</u>	<u>Sinking Fund Payment Date</u>	<u>Aggregate Principal Amount</u>
(final maturity)		(final maturity)	

Notice of redemption shall be given as provided in the preceding paragraph.]

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by the owner's attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner's attorney, and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City will cause a new Bond or Bonds to be issued in the name of the designated transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date; subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to any such transfer or exchange.

The Bonds have been designated by the City as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The City and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment as herein provided and for all other purposes, and neither the City nor the Registrar shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Bond in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done, do exist, have happened and have been performed as so required; that, prior to the issuance hereof, the City Council has by the Resolution covenanted and agreed to collect and apply to payment of the bonds ad valorem taxes levied on all taxable property in the City, certain net revenues of its municipal water, sewer and storm water systems and special assessments upon property specially benefited by the local improvements financed with the Bonds, which taxes, revenues and assessments are estimated to be collectible in years and amounts sufficient to produce sums not less than 5% in excess of the principal of and interest on the Bonds when due, and has appropriated such assessments, revenues and taxes to its General Obligation Bonds, Series 2016 Bond Fund for the payment of such principal and interest; that if necessary for the payment of such principal and interest, additional ad valorem taxes are required to be levied upon all taxable property in the City, without limitation as to rate or amount; that all proceedings relative to the projects financed by this Bond have been or will be taken according to law and that the issuance of this Bond, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation of indebtedness.

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

IN WITNESS WHEREOF, the City has caused this Bond to be executed on its behalf by the facsimile signatures of its Mayor and City Finance Director and has caused this Bond to be dated as of the date set forth below.

CITY OF LAKE ELMO, MINNESOTA

(facsimile signature – City Finance Director)

(facsimile signature – Mayor)

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

Date of Authentication: _____

NORTHLAND TRUST SERVICES, INC.,
as Registrar

By _____
Authorized Representative

TEN COM --as tenants in common UTMA as Custodian for
(Cust) (Minor)
TEN ENT --as tenants by the entireties under Uniform Transfers to Minors Act
(State)
JT TEN --as joint tenants with right of survivorship and not as tenants in common

ASSIGNMENT

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

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 enlargement or any change whatsoever.

Signature Guaranteed:

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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EXHIBIT B

Special Assessments and Tax Levies

WASHINGTON COUNTY AUDITOR'S
CERTIFICATE AS TO REGISTRATION AND TAX LEVY

The undersigned, being the duly qualified and acting County Auditor of Washington County, Minnesota, hereby certifies that there has been filed in my office a certified copy of a resolution duly adopted on May 17, 2016, by the City Council of Lake Elmo, Minnesota, setting forth the form and details of an issue of \$9,860,000 General Obligation Bonds, Series 2016A dated the date of issuance thereof.

I further certify that the issue has been entered on my bond register and the taxes required by law have been levied as required by Minnesota Statutes, Sections 475.61 to 475.63.

WITNESS my hand and official seal on the _____ day of _____, 2016.

Washington County Auditor

(SEAL)

CREDIT OPINION

11 May 2016

New Issue

Rate this Research >>

Contacts

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Lake Elmo, MN

New Issue: Moody's Assigns Aa2 to Lake Elmo, MN's \$9.9M GOULT Bonds, Ser. 2016A

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to the City of Lake Elmo's (MN) \$9.9 million General Obligation (GO) Bonds, Series 2016A. Concurrently, Moody's maintains the Aa2 rating on city's outstanding GO debt. Post-sale, the city will have \$31.4 million of GO debt outstanding.

The Aa2 rating reflects the city's modestly-sized and affluent tax base experiencing growth, located in the Twin Cities metro region; strong finances supported by conservative budget strategies and healthy unassigned fund balance; moderate direct debt burden; and modest exposure to unfunded pension liabilities.

Credit Strengths

- » Affluent tax base favorably located in Twin Cities metropolitan area
- » Strong financial operations and healthy financial reserves and liquidity

Credit Challenges

- » Small tax base size relative to others in the rating category
- » Above average fixed costs

Rating Outlook

Outlooks on the underlying credit are usually not assigned to local governments with this amount of debt.

Factors that Could Lead to an Upgrade

- » Growth in the city's tax base to levels consistent with higher-rated entities

Factors that Could Lead to a Downgrade

- » Deterioration of the tax base or weakening of the demographic profile
- » Material declines in the city's financial reserves
- » Significant increase in debt levels

Key Indicators

Exhibit 1

Lake Elmo, MN

Lake Elmo (City of) MN	2010	2011	2012	2013	2014
Economy/Tax Base					
Total Full Value (\$000)	\$ 1,200,076	\$ 1,131,733	\$ 1,099,376	\$ 1,098,898	\$ 1,174,148
Full Value Per Capita	\$ 148,727	\$ 140,257	\$ 136,247	\$ 136,188	\$ 145,513
Median Family Income (% of US Median)	186.1%	186.1%	194.1%	194.1%	194.1%
Finances					
Operating Revenue (\$000)	\$ 3,612	\$ 3,572	\$ 3,867	\$ 4,361	\$ 4,068
Fund Balance as a % of Revenues	90.1%	146.8%	153.0%	69.8%	79.5%
Cash Balance as a % of Revenues	152.3%	152.3%	145.9%	75.5%	86.8%
Debt/Pensions					
Net Direct Debt (\$000)	\$ 7,310	\$ 7,811	\$ 8,270	\$ 6,522	\$ 8,787
Net Direct Debt / Operating Revenues (x)	2.0x	2.2x	2.1x	1.5x	2.2x
Net Direct Debt / Full Value (%)	0.6%	0.7%	0.8%	0.6%	0.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	N/A	0.6x	0.6x	0.8x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	N/A	0.2%	0.2%	0.3%

The above table does not include the most recent full value or sale data. Post sale, the district will have \$12 million in net direct debt outstanding, equal to 0.9% of full value and 0.8 times operating revenue.

Source: Moody's Investors Service, Audited Financial Results, US Census Bureau

Detailed Rating Considerations

Economy and Tax Base: Modestly-Sized Affluent Tax Base Near the Twin Cities

The city's tax base is expected to grow in the medium term due to its favorable location within the Twin Cities metropolitan area and large amount of land available for development. Located in Washington County (Aaa stable), the city lies along the eastern edge of the metropolitan region. The city's full value of \$1.3 billion experienced three years of significant residentially-driven growth, recovering losses in prior years. This trend is expected to continue given several ongoing and planned developments. Major development areas include a mixed use development along I-94, the "Old Village" section of the city, and the northern edge of the city along Highway 36.

Lake Elmo is primarily a bedroom community with the majority of residents commuting to employment opportunities throughout the Twin Cities area. Based upon net tax capacity, the city is 77% residential and 15% commercial and industrial. The largest employer of city residents is 3M Company, which is headquartered in nearby Maplewood (Aa1) and employs approximately 9,100. Management reports that the city's other major employers and taxpayers remain stable.

The city's population has grown in recent decades, including 17.6% between 2000 and 2010, and the Metropolitan Council (Minn-St. Paul Area) (Aaa stable) estimates that the city's 2010 population of 8,069 could grow to 18,200 by 2040. Washington County's unemployment rate of 3.7% in March of 2016 remained below the national (5.0%) and on par with the state (3.7%) levels for same period. Lake Elmo's resident income levels significantly exceed those of the nation, with median family income equivalent to 194.1% and of the nation.

Financial Operations And Reserves: Stable Financial Operations Supported by Healthy Reserves

The city's financial operations are expected to remain stable given its history of sound financial management and maintenance of healthy General Fund liquidity and reserves. The city has closed five out of the past six fiscal years with modest operating surpluses, which management attributes to conservative budget assumptions. A minimal \$4,000 operating surplus in fiscal 2014 increased the General Fund balance to \$3.2 million, or a substantial 93.5% of revenues. Approximately \$600,000 of the city's fund balance is

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reserved for an advance to the city's Old Village Fund, which is being repaid by property tax revenues associated with the ongoing mixed-use development. According to the city officials, the amount is projected to be paid in full by 2017. The city's fiscal 2014 unassigned fund balance of \$2.5 million, which is equivalent to 74.7% of revenues, remains healthy and above the city's policy of maintaining unassigned fund balance of 35% of budgeted operating revenues. For fiscal 2015, the city's budget was balanced and management estimates a modest operating surplus of approximately \$50,000 due to favorable budget variances. The city adopted a balanced budget for fiscal 2016, conservatively assuming no additional revenue coming from the new developments.

Property taxes comprise 72.3% of Lake Elmo's General Fund revenues, and the city's collection rate is high with few appeals. The city does not receive any local government aid from the state; therefore, it is subject to minimal risk associated with budgetary pressures at the state. The state implemented property tax limits for 2014 only, but the cap did not impact Lake Elmo as the city had planned to keep its levy flat.

LIQUIDITY

In 2014, the city's unrestricted net operating cash position across major operating funds (General Fund and Debt Service Fund) was \$3.5 million or a very healthy 86.9% of revenues.

Debt and Pensions: Low Debt Burden with No Additional Borrowing Planned

The city's direct debt burden is a low 0.9% of full value and has modest long-term pension and OPEB liabilities. The direct debt burden excludes \$19.4 million of GO debt that is expected to be repaid by the city's self-supporting water and sewer enterprises. The city's total fixed costs of \$4.5 million, including debt service, pension, and OPEB expenditures make up 21% of fiscal 2014 operating revenues.

DEBT STRUCTURE

All of the district's direct debt is fixed rate and amortizes over the long term. Principal amortization is below average with 67% of all debt retired in ten years.

DEBT-RELATED DERIVATIVES

The city has no derivative agreements.

PENSIONS AND OPEB

Lake Elmo has a low employee pension burden, based on unfunded liabilities for its participation in a multi-employer cost sharing plan administered by the state, the General Employees Retirement Fund (GERF) and one single employer pension plan the Lake Elmo Firefighter's Relief Association plan. Moody's three-year average adjusted net pension liability (ANPL) for the city, through fiscal 2014, is \$3.7 million, or 0.3% of full value and 0.8 times operating revenues (General Fund and Debt Service Funds). Moody's ANPL reflects certain adjustments we make to improve the comparability of reported pension liabilities. The adjustments are not intended to replace the city's reported liability information, but to improve comparability with other rated entities. We determined the city's share of liability for GERF in proportion to its contributions to the plan. The city's fiscal 2014 total contribution to both plans was \$140,000 or 3.4% of operating revenues.

The city administers a single-employer defined benefit healthcare plan that provides benefits to retirees until Medicare eligibility and funds these liabilities on a pay-as-you-go basis. The city funds its plan on a pay as you go basis and in fiscal year 2014, the city did not contribute anything to the plan as there were no retiree participants. As of January 1, 2014, the actuarial accrued liability for benefits was \$204,437, all of which was unfunded.

Management and Governance: Strong Institutional Framework Score

Minnesota cities have an institutional framework score of "Aa," or strong. Revenues are moderately predictable as cities rely primarily on property taxes. Some cities also rely on State Local Government Aid (LGA), which is distributed based on demographic and tax base factors. Revenue-raising flexibility is moderate as cities generally benefit from unlimited levying authority, except during years in which the state has imposed limits. Levy limits are not in place for the 2016-2017 biennium. Expenditures mostly consist of personnel costs, which are highly predictable. Cities typically maintain low fixed costs and have a moderate ability to reduce expenditures.

Management has a fund balance policy of maintaining 35% of the following year's budgeted expenditures in reserves. Favorably, the city does not rely on LGA and is less impacted by the state's fiscal condition.

Legal Security

The bonds are secured by the city's general obligation unlimited tax (GOULT) pledge to levy a dedicated debt service tax that is not limited by rate or amount. The security benefits from a statutory lien and there is no lock box structure for debt service.

Use of Proceeds

Proceeds of the bonds will be used to provide street, water, sewer and storm water improvement projects.

Obligor Profile

Located in Washington County (Aaa stable), the city lies along the eastern edge of the Twin Cities metropolitan region. The 2010 population was 8,069 according to census estimates.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

Lake Elmo (City of) MN

Issue	Rating
General Obligation Bonds, Series 2016A	Aa2
Rating Type	Underlying LT
Sale Amount	\$9,860,000
Expected Sale Date	05/17/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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