

**ADDENDUM DATED FEBRUARY 22, 2012
TO PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 10, 2012**

New Issue

**INDEPENDENT SCHOOL DISTRICT NO. 877
(BUFFALO-HANOVER-MONTROSE), MINNESOTA**

**\$34,690,000*
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012A**

PROPOSAL OPENING: February 23, 2012, 11:00 A.M.

In regard to the above referenced Bonds, there will be NO maximum proposal restriction. The Preliminary Official Statement dated February 10, 2012 indicated that the maximum proposal allowed would be \$35,383,800.

Attached are revised pages to the Preliminary Official Statement dated February 10, 2012 for your reference. These changes will be incorporated into the Final Official Statement.

In the opinion of Bond Counsel, under present federal and State of Minnesota laws, regulations and rulings, the interest to be paid on the Bonds of this offering is not includible in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. Interest on the Bonds is includible in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax. See "Tax Exemption" herein for a discussion of federal tax legislation.

The Bonds are NOT "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: Moody's Investors Service

(Minnesota School District Credit Enhancement Program)
PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 10, 2012

INDEPENDENT SCHOOL DISTRICT NO. 877
(BUFFALO-HANOVER-MONTROSE), MINNESOTA
(Wright and Hennepin Counties)

\$34,690,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012A

PROPOSAL OPENING: February 23, 2012, 11:00 A.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$34,690,000 General Obligation Refunding Bonds, Series 2012A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota (the "District") for the purpose of effecting an advance crossover refunding of the 2014 through 2024 maturities of the \$42,400,000 General Obligation School Building Bonds, Series 2003B (the "Series 2003B Bonds"), dated November 1, 2003, and the 2014 through 2018 maturities of the \$9,100,000 General Obligation Alternative Facilities Bonds, Series 2005A (the "Series 2005A Bonds"), dated December 1, 2005. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota.

DATE OF BONDS: March 21, 2012

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2014	\$3,235,000	2018	\$2,825,000	2022	\$3,555,000
2015	3,625,000	2019	2,050,000	2023	4,330,000
2016	3,625,000	2020	2,090,000	2024	4,445,000
2017	2,790,000	2021	2,120,000		

MATURITY ADJUSTMENTS: * The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2012 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2023 and thereafter are subject to call for prior redemption on February 1, 2022 and any date thereafter, at par.

MINIMUM PROPOSAL: \$34,516,550.

GOOD FAITH DEPOSIT: \$693,800.

PAYING AGENT: Bond Trust Services Corporation, Roseville, Minnesota.

ESCROW AGENT: U.S. Bank National Association, St. Paul, Minnesota.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein.

This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the District with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.

www.ehlers-inc.com

APPENDIX E

TERMS OF PROPOSAL

\$34,690,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012A INDEPENDENT SCHOOL DISTRICT NO. 877 (BUFFALO-HANOVER-MONTROSE), MINNESOTA

Proposals for the purchase of \$34,690,000 General Obligation Refunding Bonds, Series 2012A (the "Bonds") of Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota (the "District") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the District, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on February 23, 2012, at which time they will be opened, read and tabulated. On January 23, 2012, the School Board adopted a resolution which authorizes designated officials of the District to accept proposals on the Bonds on February 23, 2012. The Board will meet on February 27, 2012 at 7:00 P.M. to ratify and approve the sale of the Bonds. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and Section 475.67, by the District for the purpose of effecting an advance crossover refunding of the 2014 through 2024 maturities of the \$42,400,000 General Obligation School Building Bonds, Series 2003B (the "Series 2003B Bonds"), dated November 1, 2003, and the 2014 through 2018 maturities of the \$9,100,000 General Obligation Alternative Facilities Bonds, Series 2005A (the "Series 2005A Bonds"), dated December 1, 2005. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated March 21, 2012, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2014	\$3,235,000	2018	\$2,825,000	2022	\$3,555,000
2015	3,625,000	2019	2,050,000	2023	4,330,000
2016	3,625,000	2020	2,090,000	2024	4,445,000
2017	2,790,000	2021	2,120,000		

ADJUSTMENT OPTION

* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2012, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 3.00% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 2.00%).** Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

The Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT / ESCROW AGENT

The District has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent") and U.S. Bank National Association, St. Paul, Minnesota, to act as escrow agent (the "Escrow Agent"). The District will pay the charges for Paying Agent and Escrow Agent services. The District reserves the right to remove the Paying Agent and Escrow Agent to appoint a successor.

OPTIONAL REDEMPTION

At the option of the District, Bonds maturing on or after February 1, 2023 shall be subject to redemption prior to maturity on February 1, 2022 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about March 21, 2012, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Knutson, Flynn & Deans, P.A., Mendota Heights, Minnesota, bond counsel to the District, and will accompany the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding).

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$34,516,550 plus accrued interest on the principal sum of \$34,690,000 from date of original issue of the Bonds to date of delivery. A signed proposal form must be submitted to Ehlers prior to the time established above for the opening of proposals as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit (the "Deposit") in the amount of \$693,800, complying with the provisions below, must be submitted with each proposal. The Deposit must be in the form of a certified or cashier's check, or a financial surety bond or a wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. The Deposit will be returned to the winning bidder at the closing for the Bonds.

The Deposit, payable to the District, shall be retained in the offices of Ehlers with the same effect as if delivered to the District. Alternatively, bidders may wire the Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The District and any

bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the losing bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

If a financial surety bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the District. Such bond must be submitted to Ehlers prior to the opening of the proposals. Such bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder using a financial surety bond, then that bidder is required to submit its Deposit to Ehlers in the form of a certified or cashier's check or wire transfer as instructed by Ehlers not later than 3:00 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond may be drawn by the District to satisfy the Deposit requirement. The amount securing the successful proposal will be retained as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will *not* designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. A description of the details and terms of the Undertaking is set forth in the Official Statement. *The District has complied in all material respects with any undertaking previously entered into by it under the Rule.*

INFORMATION FROM WINNING BIDDER

The successful purchaser will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies upon request of the Final Official Statement within seven business days of the proposal acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Education

Independent School District No. 877
(Buffalo-Hanover-Montrose), Minnesota

PROPOSAL FORM

The Board of Education
Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

February 23, 2012

RE: \$34,690,000* General Obligation Refunding Bonds, Series 2012A
DATED: March 21, 2012

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System as stated in this Preliminary Official Statement, we will pay you \$_____ (not less than \$34,516,550) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2014	_____ % due	2018	_____ % due	2022
_____ % due	2015	_____ % due	2019	_____ % due	2023
_____ % due	2016	_____ % due	2020	_____ % due	2024
_____ % due	2017	_____ % due	2021		

* The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 3.00% is proposed for the 2021 maturity, then the lowest rate that may be proposed for any later maturity is 2.00%).

We enclose our good faith deposit in the amount of \$693,800, to be held by you pending delivery and payment. Alternatively, we have provided a financial surety bond or have wired our good faith deposit to the **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. If our proposal is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Preliminary Official Statement dated February 10, 2012. This proposal is for prompt acceptance and is conditional upon deposit of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about March 21, 2012.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 21, 2012 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the Board of Education of Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota, on February 23, 2012.

By: _____ By: _____
Title: _____ Title: _____