

CITY OF HOYT LAKES
RESOLUTION 2025-026 AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF
A \$1,690,000 GENERAL OBLIGATION TEMPORARY UTILITY REVENUE NOTE,
SERIES 2025B

BE IT RESOLVED, by the City Council of the City of Hoyt Lakes, St. Louis County, Minnesota (the "Issuer"), as follows:

Section 1. Note Purpose, Authorization, and Award.

1.01 Statutory Authority. Pursuant to authority contained in Minnesota Statutes, Sections 444.075 and 475.61, Subdivision 5, Chapter 475 (collectively, the "Act"), the Issuer is authorized to issue its temporary general obligations for the purpose of providing funds for the temporary financing of preliminary costs of improvements to municipal sewer utilities, including payment of engineering costs (the "Project") which is necessary for timely payment of anticipated expenditures from the Project Fund established herein.

1.02 Authorization. The City Council directs the issuance and sale of a \$1,690,000 General Obligation Temporary Utility Revenue Note, Series 2025B of the Issuer dated as of the date and closing and delivery thereof (the "Note"). The principal of and interest on the Note shall be paid primarily from net revenues (the "Net Revenues") derived from the operation of the Issuer's municipal sewer utilities (collectively, the "Utility"), and long-term definitive bond or additional temporary obligations which the Issuer shall offer for sale in advance of the maturity of the Note (the "Permanent Obligations").

1.03 Financial Consultant. The Issuer has retained the services of David Drown Associates, Inc., as its financial consultant.

1.04 Award. The Issuer has received a proposal for a loan to be evidenced by the Note from Security Bank & Trust Co., located in Winsted, Minnesota (the "Lender"), in the amount of \$1,690,000 to pay costs of the Project, upon condition that the Note matures and bears interest at the time and annual rate set forth in Section 2. The Issuer, after due consideration, finds such offer reasonable and proper and the offer of the Lender is accepted. All actions of the Mayor and the City Administrator, taken with regard to the sale of the Note are ratified and approved.

Section 2. Terms of the Note.

2.01 Interest Rate and Principal Maturities. The Note shall be dated the date of its closing and delivery as the date of original issue, shall be issued in the denomination equal to the principal amount thereof, shall be issued in fully registered form and lettered and numbered R-1. The Note shall bear interest at the annual rate of 4.15 percent and shall mature on October 1, 2028.

2.02 Prepayment. The Note is prepayable in whole on any date at a price of par plus accrued interest to the prepayment date.

2.03 Interest Payment Dates. The interest on the Note shall be payable semi-annually on April 1 and October 1 of each year (each referred to herein as an "Interest Payment Date"),

commencing April 1, 2026. Interest will be computed upon the basis of a 360-day year of twelve 30-day months.

2.04 Preparation and Execution. A. The Note shall be prepared for execution in accordance with the approved form and shall be signed by the manual signature of the Mayor and attested by the manual signature of the City Administrator. The corporate seal of the Issuer may be omitted from the Note as permitted by law. In case any officer whose signature shall appear on the Note shall cease to be an officer before delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

B. The City Administrator is authorized and directed to obtain a copy of the proposed approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, which is to be complete thereof and cause the opinion to be attached to the Note.

2.05 Registrar. The Issuer hereby appoints the Northland Bond Services, a division of First National Bank of Omaha, as registrar, authenticating agent, paying agent and transfer agent for the Note (the "Registrar"). The Issuer reserves the right to name a substitute, successor Registrar upon giving prompt written notice to each registered Note holder.

2.06 Note Register. The Issuer shall cause to be kept by the Registrar a bond register in which, subject to such reasonable regulations as the Registrar may prescribe, the Issuer shall provide for the registration of the Note and the registration of transfers of the Note entitled to be registered or transferred as herein provided. In the event of the resignation or removal of the Registrar or its incapability of acting as such, the bond registration records shall be maintained at the office of the successor Registrar as may be appointed by the Issuer.

2.07 Payment. A. The Issuer and the Registrar may treat the person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the Issuer nor the Registrar shall be affected by notice to the contrary.

B. The principal of and interest on the Note shall be payable by the Registrar in such funds as are legal tender for the payment of debts due the United States of America. The Issuer shall pay the reasonable and customary charges of the Registrar for the disbursement of principal and interest.

2.08 Delivery. Delivery of the Note and payment of the purchase price shall be made at times and a place mutually satisfactory to the Issuer and the Lender. A typewritten and executed Note shall be furnished by the Issuer without cost to the Lender. The Note, when prepared in accordance with this resolution and executed, shall be delivered by or under the direction of the City Administrator to the Lender upon receipt of the purchase price plus accrued interest.

Section 3. Form of the Note.

3.01 The Note shall be printed or typewritten in substantially the form attached as Exhibit A.

Section 4. Covenants, Accounts and Tax Levies.

4.01 Covenants. The Issuer covenants and agrees with the holder of the Note and with its taxpayers that it will impose and collect just and equitable charges for all use and for the availability of all facilities of the Utility at the times and in the amounts required to pay the normal, reasonable, and current expenses of operating and maintaining the Utility, and also to produce Net Revenues which will be at least adequate at all times to pay the principal and interest due on the Note and on all other obligations heretofore or hereafter issued and made payable from said Net Revenues, and will operate the Utility and segregate and account for the revenues thereof as provided in this section.

4.02 Sewer Fund. The Issuer covenants and agrees with the holder of the Note and with its taxpayers as follows:

A. It will impose and collect just and equitable charges for all use and for the availability of all facilities of its sewer utility (the "Sewer Utility") at the times and in the amounts required to pay the normal, reasonable, and current expenses of operating and maintaining such Sewer Utility, and also to produce net revenues, which along with net revenues of the Sewer Utility, will be at least adequate at all times to pay the principal and interest due on the Note and on all other notes and bonds heretofore or hereafter issued and made payable from said net revenues, and will operate the Sewer Utility and segregate and account for the revenues thereof as provided in this Section.

B. It will place all such charges for the use and availability of the Sewer Utility, when collected, and all money received from the sale of any facilities or equipment of the Sewer Utility in the Sewer Fund (the "Sewer Fund"). Except as provided in this Section, this Fund shall be used only to pay claims duly approved and allowed for payment of expenses which, under generally accepted accounting principles, constitute normal, reasonable, and current expenses of operating and maintaining the Sewer Utility, and to maintain such reasonable reserves for such expenses as the City Council shall determine to be necessary from time to time. Sums in excess of those required to make such payments and maintain such reserves constitute the net revenues, a portion of which are herein pledged and appropriated first to pay the principal of and interest when due on the Note.

C. Surplus Sewer Utility revenues from time to time received in the Sewer Fund, in excess of payments due from and reserves required to be maintained in the Sewer Fund and in the Debt Service Account, may be used for necessary capital expenditures for the improvement of the Sewer Utility, for the prepayment and redemption of notes and bonds constituting a lien on the Sewer Utility, and for any other proper municipal purpose consistent with policies established by resolution of the City Council.

4.03 Fund. There is created a special fund to be designated the "2025B General Obligation Temporary Utility Revenue Note Fund" (the "Fund") to be administered and maintained by the City Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Fund shall be maintained in the manner herein specified until the Note and the interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate accounts, to be designated the "Construction Fund" and "Debt Service Fund," respectively:

A. *Construction Fund.* The Issuer shall credit proceeds from the sale of the Note when advanced by the Lender to the Construction Fund. Proceeds from the Note on deposit in the Construction Fund, along with other monies of the Issuer available therefor, shall be used from time to time to pay, or reimburse the Issuer for payment of, the capital costs of the Project and costs of legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Note and interest due on the Note prior to completion of the Project, as such become due.

B. *Debt Service Fund.* The Debt Service Fund shall be administered and maintained by the City Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Debt Service Fund shall be maintained in the manner herein specified until all of the Note and the interest thereon have been fully paid:

(i) There is pledged and appropriated and there shall be credited to the Debt Service Fund: (A) Net Revenues, which along with the Permanent Obligations will be sufficient to pay the principal of and interest on the Note when due; (B) all funds remaining in the Construction Fund after completion of the Project and payment of the costs thereof; (C) any and all other moneys which are properly available and are appropriated by the governing body of the Issuer to the Debt Service Fund; and (D) investment earnings on the monies identified in the foregoing clauses (A) through (C). (The funds and investments identified in clauses (A) through (D) are referred to herein as the "Pledged Revenues.")

(ii) The money in such account shall be used for no purpose other than the payment of principal and interest and redemption premium, if any, on the Note and any other general obligation bonds of the Issuer hereafter issued by the Issuer and made payable from said account as provided by law; provided, however, that if any payment of principal or interest shall become due when there is not sufficient money in the Debt Service Fund, the City Administrator shall pay the same from any other fund of the Issuer, which fund shall be reimbursed from the Debt Service Fund when the balance therein is sufficient.

(iii) Immediately prior to each Interest Payment Date, the City Administrator shall transfer to the Debt Service Fund amounts of Net Revenues which are sufficient, along with funds then on deposit in the Debt Service Fund, for the payment of all interest and principal then due on the Note.

(iv) If the balance in the Debt Service Fund is ever insufficient to pay all principal and interest then due on the Note, the City Administrator shall nevertheless provide sufficient money first from the Construction Fund, second from the Fund and third from any other funds of the Issuer which are available for that purpose, and such other funds shall be reimbursed from the Debt Service Fund when the balance therein is sufficient. All such reimbursements shall comply with Treasury Regulations, Section 1.150-2.

C. *Surplus Revenues.* Surplus revenues of the Utility from time to time received in the Fund, in excess of payments due from and reserves required to be maintained in the Fund and in the Debt Service Fund, may be used for necessary capital expenditures for the improvement of the Utility, for the prepayment and redemption of notes and bonds issued pursuant to Section

444.075 of the Act, and for any other proper municipal purpose consistent with law and policies established by resolution of the Issuer.

D. Investments. Monies on deposit in the Construction Fund and in the Debt Service Fund may, at the discretion of the Issuer, be invested in securities permitted by Minnesota Statutes, Chapter 118A; provided, that any such investments shall mature at such times and in such amounts as will permit for payment of the principal and interest on the Note when due.

4.04 No Tax Levy. It is determined that the Pledged Revenues pledged for payment of principal and interest on the Note will produce at least five percent in excess of the amount needed to meet when due, the principal and interest payments on the Note and that no tax levy is needed at this time.

4.05 General Obligation. It is recognized, however, that the Issuer's liability on the Note is not limited to the Pledged Revenues and other appropriated funds so pledged, and the Issuer covenants and agrees that it will levy upon all taxable property within the Issuer, and cause to be extended, assessed, and collected, any taxes found necessary for full payment of the principal of and interest on the Note and any definitive obligations, without limitation as to rate or amount.

4.06 Pledge of Proceeds of Definitive Note or Additional Temporary Note Definitive Obligations. In accordance with its statutory duties under Minnesota Statutes, Section 475.61, Subdivision 6, the Issuer covenants and agrees with the holders of the Note that if the Note cannot be paid at maturity from the Pledged Revenues or from other funds appropriated by the Issuer, the Note will be paid from the proceeds of additional definitive obligations which will be issued and sold prior to the maturity date of the Note or exchanged for definitive obligations secured in the manner provided in Minnesota Statutes, Section 475.61, Subdivision 1. The holder of the Note shall have and may enforce, by mandamus or other appropriate proceedings, all rights respecting the levy and collection of taxes that are granted by law to holders of permanent bonds, except the right to require the levies to be collected prior to the maturity of the Note. If the Note is not paid in full at maturity, the holder may require the issuance in exchange for them, at par, of new temporary bonds maturing within one year from their date of issue but not subject to any other maturity limitation, and bearing interest at the maximum rate permitted by law.

Section 5. Tax Covenants. A. The Issuer covenants and agrees with the holders of the Note that the Issuer will (i) take all action on its part necessary to cause the interest on the Note to be exempt from federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Note and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Note to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Note and investment earnings thereon on certain specified purposes.

B. For purposes of qualifying for the small issuer exception to the federal arbitrage rebate requirements, the Issuer finds, determines and declares:

- (i) the Issuer is a governmental unit with general taxing powers;

(ii) based on information provided by bond counsel, the Note is not a "private activity bond;"

(iii) 95% or more of the net proceeds of the Note is to be used for local governmental activities of the Issuer; and

(iv) the aggregate face amount of the tax exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Note is issued is not reasonably expected to exceed \$5,000,000.

C. In order to qualify the Note as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the Issuer makes the following factual statements and representations:

(i) the Note is not "private activity bonds" as defined in Section 141 of the Code;

(ii) the Issuer designates the Note as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code;

(iii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the Issuer (and all entities whose obligations will be aggregated with those of the Issuer) during the calendar year in which the Note is being issued will not exceed \$10,000,000; and

(iv) not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Note is being issued have been designated for purposes of Section 265(b)(3) of the Code.

Section 6. Certificate of Proceedings; Miscellaneous.

6.01 The City Administrator or the designee thereof is directed to file with the St. Louis County Auditor a certified copy of this Resolution and such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Note herein authorized have been duly entered on its register.

6.02 The officers of the Issuer are authorized and directed to prepare and furnish to the Lender of the Note and to bond counsel for the Note certified copies of all proceedings and records of the Issuer relating to the authorization and issuance of the Note and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Note as such facts appear from the official books and records of the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the Issuer as to the correctness of facts recited therein and the actions stated therein to have been taken.

6.03 In the event of the absence or disability of the Mayor, the City Administrator, or such officers or members of the City Council as in the opinion of the Issuer's attorney, may act in

their behalf, shall without further act or authorization, execute and deliver the Note, and do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers.

Section 7. Offering Materials. No official statement or prospectus has been prepared or circulated by the Issuer in connection with the sale of the Note, and the Lender has made its own investigation concerning the Issuer as set forth in a Lender's certificate.

Section 8. Loan Agreement. The proceeds of the Note will be advanced to the Issuer in accordance with the terms of this Resolution and with a Loan Agreement between the Issuer, and the Lender (the "Loan Agreement"). The Mayor and City Administrator of the Issuer are hereby authorized and directed to execute the Loan Agreement substantially in the form currently on file in the office of the Issuer.

Section 9. Pre- and Post-Issuance Compliance Policy and Procedures. The Issuer has previously approved a Pre- and Post-Issuance Compliance Policy and Procedures which applies to qualifying obligations to provide for compliance with all applicable federal regulations for tax-exempt obligations or tax-advantaged obligations (collectively, the "Policy and Procedures"). The Issuer hereby ratifies the Policy and Procedures for the Note. The City Administrator continues to be designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.

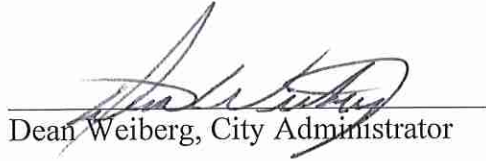
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Adopted: September 15, 2025.



Brennan Scott, Mayor

ATTEST:


Dean Weiberg, City Administrator