

State of Minnesota  
County of Watonwan

**EXTRACT OF MINUTES OF A MEETING  
OF THE CITY COUNCIL  
CITY OF ST. JAMES, MINNESOTA**

**HELD: SEPTEMBER 2, 2025**

Pursuant to due call, a regular or special meeting of the City Council of the City of St. James, Watonwan County, Minnesota, was duly held at the City Hall on September 2, 2025, at 6:00 P.M., for the purpose, in part, of authorizing the issuance and awarding the sale of a \$965,000 General Obligation Improvement and Utility Revenue Note, Series 2025A.

The following members were present: \_\_\_\_\_

and the following were absent: \_\_\_\_\_

Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION NO. 09.25.03**

**RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF A \$965,000  
GENERAL OBLIGATION IMPROVEMENT AND UTILITY REVENUE NOTE,  
SERIES 2025A, PLEDGING FOR THE SECURITY THEREOF SPECIAL  
ASSESSMENTS AND NET REVENUES**

A. **WHEREAS**, the City of St. James, Minnesota (the “City”), owns and operates a municipal water system (the “Water System”), a sanitary sewer system (the “Sewer System”), and a storm sewer system (the “Storm Sewer System,” and together with the Water System and the Sewer System, the “System”) as separate revenue producing public utilities; and

B. **WHEREAS**, the net revenues of the Water System are pledged to the payment of the principal and interest of the City’s outstanding (i) \$1,095,747 original principal amount General Obligation Water Revenue Note of 2010, dated June 23, 2010, (ii) \$1,035,000 original principal amount of General Obligation Water Revenue Bonds, Series 2015A, dated April 1, 2015, (iii) the “Revenue Portion” of \$1,920,000 original principal amount of General Obligation Bonds, Series 2016B, dated October 4, 2016; and (iv) \$3,764,437 original principal amount of General Obligation Taxable Water Revenue Note of 2019, dated October 8, 2019 (collectively, the “Outstanding Water Bonds”); and

C. **WHEREAS**, the net revenues of the Sewer System are pledged to the payment of the principal and interest of the City’s outstanding (i) \$7,157,954 original principal amount of General Obligation Sewer Revenue Note of 2010, dated June 23, 2010; and (ii) \$2,953,592 original principal amount of General Obligation Taxable Sewer Revenue Note of 2019, dated October 8, 2019 (collectively, the “Outstanding Sewer Notes”); and

D. **WHEREAS**, the net revenues of the Storm Sewer System are pledged to the payment of the principal and interest of the City's outstanding \$2,600,000 General Obligation Utility Revenue Bonds, Series 2017C, dated September 1, 2017 (the "Outstanding Storm Sewer Bonds"); and

E. **WHEREAS**, the combined net revenues of the Sewer System and the Water System are pledged to the payment of the principal and interest of the City's outstanding \$995,000 General Obligation Utility Revenue Bonds, Series 2019C, dated July 1, 2019 (the "Outstanding Sewer and Water Bonds"); and

F. **WHEREAS**, the total net revenues of the System are pledged to the payment of the principal and interest of the City's outstanding (i) \$1,515,000 original principal amount of General Obligation Utility Revenue Bonds, Series 2018B, dated July 10, 2018; (ii) \$3,585,000 original principal amount of the "System Portion" of General Obligation Improvement and Utility Revenue Bonds, Series 2021A, dated December 1, 2021; and (iii) \$1,590,000 original principal amount of the "System Portion" General Obligation Bond, Series 2022A (collectively, the "Outstanding System Bonds"); and

G. **WHEREAS**, the City Council (the "City Council") of the City has heretofore determined and declared that it is necessary and expedient to issue a \$965,000 General Obligation Improvement and Utility Revenue Note, Series 2025A (the "Note"), pursuant to Minnesota Statutes, Chapters 429 and 475 to finance street improvements (the "Improvements") and pursuant to Minnesota Statutes, Section 444.075, to finance improvements to the Water System, Sewer System, and Storm Sewer System ("Utility Projects"); and

H. **WHEREAS**, the Improvements and all their components have been ordered prior to the date hereof, pursuant to the procedural requirements of Minnesota Statutes, Chapter 429; and

I. **WHEREAS**, the City has retained David Drown Associates, Inc., in Minneapolis, Minnesota ("David Drown"), as its independent municipal advisor for the sale of the Note and was therefore authorized to sell the Note by private negotiation in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ST. JAMES, MINNESOTA**, as follows:

1. Acceptance of Offer. The offer of Security Bank & Trust Co., Winsted, Minnesota (the "Purchaser"), to purchase the Note and to pay therefor the sum of \$965,000, all in accordance with the terms and at the rates of interest hereinafter set forth, is hereby accepted.

2. Note Terms; Original Issue Date; Denominations; Maturities; Interest and Redemption. The City shall forthwith issue the Note, which shall be in fully registered form without interest coupons, shall be dated, mature, bear interest, be subject to redemption and be payable as provided in the form of the Note.

3. Allocation. The installments of principal in the amount of \$286,000 maturing in each of the years and amounts hereinafter set forth are issued to finance the Improvements (the “Improvement Portion”); and the installments of principal in the amount of \$679,000 maturing in each of the years and amounts hereinafter set forth are issued to finance the Utility Projects (the “Utility Portion”):

Year	Improvement Portion	Utility Portion	Total Amount
2026	-	-	-
2027	\$ 9,000	\$21,000	\$30,000
2028	10,000	22,000	32,000
2029	10,000	23,000	33,000
2030	10,000	24,000	34,000
2031	11,000	26,000	37,000
2032	11,000	27,000	38,000
2033	11,000	28,000	39,000
2034	12,000	29,000	41,000
2035	13,000	31,000	44,000
2036	14,000	32,000	46,000
2037	14,000	34,000	48,000
2038	15,000	35,000	50,000
2039	15,000	37,000	52,000
2040	16,000	39,000	55,000
2041	17,000	40,000	57,000
2042	18,000	42,000	60,000
2043	19,000	44,000	63,000
2044	20,000	46,000	66,000
2045	20,000	48,000	68,000
2046	21,000	51,000	72,000

If the Note is prepaid, the prepayments shall be allocated to the portions of debt service (and hence allocated to the payment of Note treated as relating to a particular portion of debt service) as provided in this paragraph. If the source of prepayment moneys is the general fund of the City, or other generally available source, the prepayment may be allocated to either or both of the portions of debt service in such amounts as the City shall determine. If the source of the prepayment is special assessments, the prepayment shall be allocated to the Improvement Portion of debt service. If the source of a prepayment is excess net revenues of the System pledged to the Utility Projects, the prepayment shall be allocated to the Utility Portion of debt service.

4. Purpose. The Improvement Portion of the Note shall provide funds to finance the Improvements and the Utility Portion of the Note shall provide funds to finance the Utility Projects. The Improvements and the Utility Projects are sometimes referred to herein together as the “Project”. The total cost of the Project, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of the Note. The City covenants that it shall do all things and perform all acts required of it to assure that work on the

Project proceeds with due diligence to completion and that any and all permits and studies required under law for the Project are obtained.

5. Registrar. The City Clerk-Treasurer of the City of St. James, Minnesota, is appointed to act as registrar and transfer agent with respect to the Note (the “Registrar”), and shall do so unless and until a successor Registrar is duly appointed, all pursuant to any contract the City and Registrar shall execute which is consistent herewith. The Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal and interest on the Note shall be paid to the registered holder (or record holder) of the Note in the manner set forth in the form of Note.

6. Form of Note. The Note, together with the Certificate of Registration, shall be in substantially the form set forth on Exhibit A attached hereto.

7. Execution. The Note shall be executed on behalf of the City by the manual signatures of its Mayor and City Manager, the seal having been omitted as permitted by law. In the event of disability or resignation or other absence of either such officer, the Note may be signed by the signature of that officer who may act on behalf of such absent or disabled officer. In case either such officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery.

8. Delivery; Application of Proceeds. The Note when so prepared and executed shall be delivered by the City Clerk-Treasurer to the Purchaser upon receipt of the purchase price, and the Purchaser shall not be obliged to see to the proper application thereof.

9. Fund and Accounts. There is hereby established a special fund to be designated “General Obligation Improvement and Utility Revenue Note, Series 2025A Fund” (the “Fund”) to be administered and maintained by the City Clerk-Treasurer as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The Operation and Maintenance Account for the Water System, the Operation and Maintenance Account for the Sewer System, and the Operation and Maintenance Account for the Storm Sewer System (collectively, the “Operation and Maintenance Accounts”) heretofore established by the City shall continue to be maintained in the manner heretofore and herein provided by the City. All moneys remaining after paying or providing for the items set forth in the resolution establishing the Operation and Maintenance Accounts shall constitute and are referred to as “net revenues” until the Utility Portion of the Note has been paid. In such records there shall be established accounts of the Fund for the purposes and in the amounts as follows:

(a) Construction Account. To the Construction Account there shall be credited the proceeds of the Note, less capitalized interest, plus any special assessments levied with respect to the Improvements and collected prior to completion of the Improvements and payment of the costs thereof. From the Construction Account there shall be paid all costs and expenses of making the Project, including the cost of any construction contracts heretofore let and all other costs incurred and to be incurred of the kind authorized in Minnesota Statutes, Section 475.65. Moneys in the Construction Account shall be used for no other purpose except as otherwise provided by law; provided that the proceeds of the Note may also be used to the extent necessary to pay interest on

the Note due prior to the anticipated date of commencement of the collection of taxes, special assessments or net revenues herein levied or covenanted to be levied; and provided further that if upon completion of the Project there shall remain any unexpended balance in the Construction Account of the Improvement Portion of the Note, such balance (other than any special assessments) shall be transferred to the Debt Service Account provided that any funds attributable to the Improvement Portion of the Note may be transferred to the fund of any other improvement instituted pursuant to Minnesota Statutes, Chapter 429, and provided further that any special assessments credited to the Construction Account shall only be applied towards payment of the costs of the Improvements upon adoption of a resolution by the City Council determining that the application of the special assessments for such purpose will not cause the City to no longer be in compliance with Minnesota Statutes, Section 475.61, Subdivision 1.

(b) Debt Service Account. There shall be maintained two separate subaccounts in the Debt Service Account to be designated the “Improvement Project Debt Service Subaccount” and the “Utility Projects Debt Service Subaccount.” There are hereby irrevocably appropriated and pledged to, and there shall be credited to the separate subaccounts of the Debt Service Account:

- (i) Improvement Project Debt Service Subaccount. To the Improvement Project Debt Service Subaccount there shall be credited: (A) all collections of special assessments herein covenanted to be levied with respect to the Improvements and either initially credited to the Construction Account and not already spent as permitted above and required to pay any principal and interest due on the Improvement Portion of the Note or collected subsequent to the completion of the Improvements and payment of the costs thereof; (B) capitalized interest in the amount of \$4,987.13 together with interest earnings thereon and subject to such other adjustments as are appropriate to provide sufficient funds to pay interest due on the Improvement Portion of the Note on or before February 1, 2026; (C) all collections of all taxes herein or hereinafter levied for the payment of the Improvement Portion of the Note and interest thereon; (D) a pro rata share of all funds remaining in the Construction Account after completion of the Improvements and payment of the costs thereof; (E) all investment earnings on funds held in the Improvement Project Debt Service Subaccount; and (F) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Improvement Project Debt Service Subaccount. The Improvement Project Debt Service Subaccount shall be used solely to pay the principal and interest and any premium for redemption of the Improvement Portion of the Note and any other general obligation bonds of the City hereafter issued by the City and made payable from said subaccount as provided by law.
- (ii) Utility Projects Debt Service Subaccount. To the Utility Projects Debt Service Subaccount there shall be credited: (A) the net revenues of the System not otherwise pledged and applied to the payment of other obligations of the City, in an amount, together with other funds which may herein or hereafter from time to time be irrevocably appropriated to the Utility Projects Debt Service Subaccount, sufficient to meet the requirements of Minnesota Statutes, Section 475.61 for the payment of the principal and interest of the Utility Portion of the Note; (B) all collections of all taxes which may hereafter be levied in the event that the net

revenues of the System and other funds herein pledged to the payment of the principal and interest on the Utility Portion of the Note is insufficient therefore; (C) a pro rata share of all funds remaining in the Construction Account after completion of the Utility Projects and payment of the costs thereof; (D) all investment earnings on funds held in the Utility Projects Debt Service Subaccount; and (E) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Utility Projects Debt Service Subaccount. The Utility Projects Debt Service Subaccount shall be used solely to pay the principal and interest and any premium for redemption of the Utility Portion of the Note and any other general obligation bonds of the City hereafter issued by the City and made payable from said subaccount as provided by law.

No portion of the proceeds of the Note shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (1) for a reasonable temporary period until such proceeds are needed for the purpose for which the Note was issued and (2) in addition to the above in an amount not greater than the lesser of five percent of the proceeds of the Note or \$100,000. To this effect, any proceeds of the Note and any sums from time to time held in the Construction Account, Operation and Maintenance Accounts or Debt Service Account (or any other City account which will be used to pay principal or interest to become due on the Note payable therefrom) in excess of amounts which under then applicable federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by the arbitrage regulations on such investments after taking into account any applicable “temporary periods” or “minor portion” made available under the federal arbitrage regulations. Money in the Fund shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Note to be “federally guaranteed” within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the “Code”).

10. Covenants Relating to the Improvement Portion of the Note.

(a) Special Assessments. It is hereby determined that no less than twenty percent (20%) of the cost to the City of each Improvement financed hereunder within the meaning of Minnesota Statutes, Section 475.58, Subdivision 1(3), shall be paid by special assessments to be levied against every assessable lot, piece and parcel of land benefited by any of the Improvements. The City hereby covenants and agrees that it will let all construction contracts not heretofore let within one year after ordering each Improvement financed hereunder unless the resolution ordering the Improvement specifies a different time limit for the letting of construction contracts. The City hereby further covenants and agrees that it will do and perform, as soon as they may be done, all acts and things necessary for the final and valid levy of such special assessments, and in the event that any such assessment be at any time held invalid with respect to any lot, piece or parcel of land due to any error, defect, or irregularity in any action or proceedings taken or to be taken by the City or the City Council or any of the City officers or employees, either in the making of the assessments or in the performance of any condition precedent thereto, the City and the City Council will forthwith do all further acts and take all further proceedings as may be required by law to make the assessments a valid and binding lien upon such property.

The special assessments have heretofore been authorized. Subject to such adjustments as are required by conditions in existence at the time the assessments are levied, it is hereby determined that the assessments shall be payable in equal, consecutive, annual installments, including both principal and interest, with interest at a rate per annum set forth below:

<u>Improvement Designation</u>	<u>Levy Years</u>	<u>Collection Years</u>	<u>Amount</u>	<u>Rate</u>
2025 Street & Utility Improvements	2025-2044	2026-2045	\$291,711	5.50%

At the time the assessments are in fact levied the City Council shall, based on the then-current estimated collections of the assessments, make any adjustments in any ad valorem taxes required to be levied in order to assure that the City continues to be in compliance with Minnesota Statutes, Section 475.61, Subdivision 1.

(b) Coverage Test. The estimated collections of special assessments and other revenues herein pledged for the payment of the Improvement Portion of the Note are such that if collected in full they will produce at least five percent (5%) in excess of the amount needed to meet when due the principal and interest payments on the Improvement Portion of the Note.

#### 11. Covenants Relating to the Utility Portion of the Note.

(a) Sufficiency of Net Revenues. It is hereby found, determined and declared that the net revenues of the System are sufficient in amount to pay when due the principal of interest on the Utility Portion of the Note and the Outstanding System Bonds and a sum at least five percent in excess thereof. The net revenues of the Water System are sufficient in amount to pay when due the principal of and interest on the Outstanding Water Bonds and a sum at least five percent in excess thereof. The net revenues of the Sewer System are sufficient in amount to pay when due the principal of and interest on the Outstanding Sewer Notes and a sum at least five percent in excess thereof. The net revenues of the Storm Sewer System are sufficient in amount to pay when due the principal of and interest on the Outstanding Storm Sewer Bonds and a sum at least five percent in excess thereof. The combined net revenues of the Sewer System and the Water System are sufficient in amount to pay when due the principal of and interest on the Outstanding Sewer and Water Bonds and a sum at least five percent in excess thereof.

(b) The net revenues of the System are hereby pledged for the payment of the Utility Portion of the Note on a parity lien with the Outstanding System Bonds, the Outstanding Water Bonds, the Outstanding Sewer Notes, the Outstanding Storm Sewer Bonds, and the Outstanding Sewer and Water Bonds and shall be applied for that purpose, but solely to the extent required to meet, with other pledged sources, the principal and interest requirements of the Utility Portion of the Note as the same become due.

(c) Nothing contained herein shall be deemed to preclude the City from making further pledges and appropriations of the net revenues of the System for the payment of other or additional obligations of the City, provided that it has first been determined by the City Council that the estimated net revenues of the System will be sufficient in addition to all other sources, for the

payment of the Utility Portion of the Note and such additional obligations and any such pledge and appropriation of the net revenues of the System may be made superior or subordinate to, or on a parity with the pledge and appropriation herein.

(d) Excess Net Revenues. Net revenues in excess of those required for the foregoing may be used for any proper purpose.

(e) Covenant to Maintain Rates and Charges. In accordance with Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the Owner of the Note that it will impose and collect charges for the service, use, availability and connection to the System at the times and in the amounts required to produce net revenues adequate to pay all principal and interest when due on the Utility Portion of the Note. Minnesota Statutes, Section 444.075, Subdivision 2, provides as follows: "Real estate tax revenues should be used only, and then on a temporary basis, to pay general or special obligations when the other revenues are insufficient to meet the obligations."

12. Defeasance. When the Note has been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered owners of the Note shall, to the extent permitted by law, cease. The City may discharge its obligations with respect to the Note which is due on any date by irrevocably depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or if any Note 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 to the date of such deposit. The City may also discharge its obligations with respect to principal installments of the Note called for redemption on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full, provided that notice of redemption thereof has been duly given. The City may also at any time discharge its obligations with respect to the Note, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities described in Minnesota Statutes, Section 475.67, Subdivision 8, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

13. Compliance With Reimbursement Bond Regulations. The provisions of this paragraph are intended to establish and provide for the City's compliance with United States Treasury Regulations Section 1.150-2 (the "Reimbursement Regulations") applicable to the "reimbursement proceeds" of the Note, being those portions thereof which will be used by the City to reimburse itself for any expenditure which the City paid or will have paid prior to the Closing Date (a "Reimbursement Expenditure").

The City hereby certifies and/or covenants as follows:

(a) Not later than sixty days after the date of payment of a Reimbursement Expenditure, the City (or person designated to do so on behalf of the City) has made or will have made a written declaration of the City's official intent (a "Declaration") which effectively (i) states the City's reasonable expectation to reimburse itself for the payment of the Reimbursement Expenditure out



of the proceeds of a subsequent borrowing; (ii) gives a general and functional description of the property, project or program to which the Declaration relates and for which the Reimbursement Expenditure is paid, or identifies a specific fund or account of the City and the general functional purpose thereof from which the Reimbursement Expenditure was to be paid (collectively the “Program”); and (iii) states the maximum principal amount of debt expected to be issued by the City for the purpose of financing the Program; provided, however, that no such Declaration shall necessarily have been made with respect to: (i) “preliminary expenditures” for the Program, defined in the Reimbursement Regulations to include engineering or architectural, surveying and soil testing expenses and similar prefatory costs, which in the aggregate do not exceed twenty percent of the “issue price” of the Note, and (ii) a de minimis amount of Reimbursement Expenditures not in excess of the lesser of \$100,000 or five percent of the proceeds of the Note.

(b) Each Reimbursement Expenditure is a capital expenditure or a cost of issuance of the Note or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Reimbursement Regulations.

(c) The “reimbursement allocation” described in the Reimbursement Regulations for each Reimbursement Expenditure shall and will be made forthwith following (but not prior to) the issuance of the Note, and in all events within the period ending on the date which is the later of not later than three years after the later of (i) the date of the payment of the Reimbursement Expenditure, or (ii) one year after the date on which the Program to which the Reimbursement Expenditure relates is first placed in service.

(d) Each such reimbursement allocation will be made in a writing that evidences the City's use of Note proceeds to reimburse the Reimbursement Expenditure and, if made within 30 days after the Note is issued, shall be treated as made on the day the Note is issued.

Provided, however, that the City may take action contrary to any of the foregoing covenants in this paragraph upon receipt of an opinion of its bond counsel for the Note stating in effect that such action will not impair the tax-exempt status of the Note.

14. General Obligation Pledge. For the prompt and full payment of the principal and interest on the Note, as the same respectively become due, the full faith, credit and taxing powers of the City shall be and are hereby irrevocably pledged. If the net revenues of the System appropriated and pledged to the payment of principal and interest on the Utility Portion of the Note, together with other funds irrevocably appropriated to the Utility Projects Debt Service Subaccount herein established, shall at any time be insufficient to pay such principal and interest when due, the City covenants and agrees to levy, without limitation as to rate or amount an ad valorem tax upon all taxable property in the City sufficient to pay such principal and interest as it becomes due. If the balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Note and any other the bonds payable therefrom, the deficiency shall be promptly paid out of any other funds of the City which are available for such purpose, and such other funds may be reimbursed with or without interest from the Debt Service Account when a sufficient balance is available therein.

15. Certificate of Registration. The City Manager is hereby directed to file a certified copy of this resolution with the County Auditor of Watonwan County, Minnesota, together with

such other information as the Auditor shall require, and to obtain the County Auditor's certificate that the Note has been entered in the County Auditor's Bond Register and that the tax levy required by law has been made.

16. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser, and to the attorneys approving the legality of the issuance of the Note, certified copies of all proceedings and records of the City relating to the Note and to the financial condition and affairs of the City, and such other affidavits, certificates and information as are required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

17. Negative Covenant as to Use of Proceeds and Project. The City hereby covenants not to use the proceeds of the Note or to use the Project, or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the Project, in such a manner as to cause the Note to be a "private activity bond" within the meaning of Sections 103 and 141 through 150 of the Code.

18. Tax-Exempt Status of the Note; Rebate. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Note, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the Note, and (3) the rebate of excess investment earnings to the United States, if the Note (together with other obligations reasonably expected to be issued and outstanding at one time in this calendar year) exceeds the small-issuer exception amount of \$5,000,000. For purposes of qualifying for the exception to the federal arbitrage rebate requirements for governmental units issuing \$5,000,000 or less of bonds, the City hereby finds, determines and declares that:

- (a) the Note is issued by a governmental unit with general taxing powers;
- (b) the Note is not a private activity bond;
- (c) ninety-five percent or more of the net proceeds of the Note is to be used for local governmental activities of the City (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the City); and
- (d) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and all subordinate entities thereof, and all entities treated as one issuer with the City) during the calendar year in which the Note is issued and outstanding at one time is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

19. Designation of Qualified Tax-Exempt Obligation. In order to qualify the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code, the City hereby makes the following factual statements and representations:

- (a) the Note is issued after August 7, 1986;
- (b) the Note is not a “private activity bond” as defined in Section 141 of the Code;
- (c) the City hereby designates the Note as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code;
- (d) 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 City (and all entities treated as one issuer with the City, and all subordinate entities whose obligations are treated as issued by the City) during this calendar year 2025 will not exceed \$10,000,000;
- (e) not more than \$10,000,000 of obligations issued by the City during this calendar year 2025 have been designated for purposes of Section 265(b)(3) of the Code; and
- (f) the aggregate face amount of the Note does not exceed \$10,000,000.

The City shall use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designation made by this paragraph.

20. Offering Circular. The Offering Circular relating to the Note prepared and distributed by David Drown, is hereby approved and the officers of the City are authorized in connection with the delivery of the Note to sign such certificates as may be necessary with respect to the completeness and accuracy of the Offering Circular.

21. Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

22. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

The motion for the adoption of the foregoing resolution was duly seconded by member \_\_\_\_\_ and, after a full discussion thereof and upon a 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.

Published: \_\_\_\_\_

Filed: \_\_\_\_\_

Effective Date: September 2, 2025

STATE OF MINNESOTA  
COUNTY OF WATONWAN  
CITY OF ST. JAMES

I, the undersigned, being the duly qualified and acting City Clerk-Treasurer of the City of St. James, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council, duly called and held on the date therein indicated, insofar as such minutes relate to authorizing the issuance and awarding the sale of a \$965,000 General Obligation Improvement and Utility Revenue Note, Series 2025A.

WITNESS my hand on September 2, 2025.

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City Clerk-Treasurer

## EXHIBIT A

## FORM OF NOTE

UNITED STATES OF AMERICA  
 STATE OF MINNESOTA  
 WATONWAN COUNTY  
 CITY OF ST. JAMES

R-1

\$965,000

GENERAL OBLIGATION IMPROVEMENT AND  
 UTILITY REVENUE NOTE, SERIES 2025A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
4.65%	February 1, 2046	September 16, 2025

REGISTERED OWNER: SECURITY BANK & TRUST CO., WINSTED, MINNESTOA

PRINCIPAL AMOUNT: NINE HUNDRED SIXTY FIVE THOUSAND DOLLARS

THE CITY OF ST. JAMES, WATONWAN COUNTY, MINNESOTA (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or assigns duly certified on the Certificate of Registration attached to and made a part of this Note (the "Owner"), in the manner hereinafter set forth, the \$965,000 principal amount of this Note in the principal installments due on February 1 of the years and in the amounts, respectively, as follows, with each such principal installment bearing interest until paid at the interest rate of 4.65% per annum:

<u>Date</u>	<u>Amount</u>
2027	\$30,000
2028	32,000
2029	33,000
2030	34,000
2031	37,000
2032	38,000
2033	39,000
2034	41,000
2035	44,000
2036	46,000
2037	48,000
2038	50,000
2039	52,000
2040	55,000
2041	57,000

2042	60,000
2043	63,000
2044	66,000
2045	68,000
2046	72,000

Interest. Interest shall be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2026, and shall be calculated on the basis of a 360 day year consisting of twelve thirty day months.

Payment. Principal installments and interest shall be paid by check, ACH debit, wire transfer or draft mailed to the Owner at the address listed on the Certificate of Registration attached to and made a part of this Note. The payment of all principal and interest on this Note shall be made by the City Clerk-Treasurer of the City of St. James, Minnesota (the “Registrar”). At the time of final payment of all principal and interest on this Note, the Owner shall surrender this Note to the Registrar.

Redemption. This Note is subject to redemption and prepayment at the option of the Issuer on February 1, 2032, and on any day thereafter, in whole or in part, in multiples of \$1,000, at a price of par plus accrued interest. If redemption is in part, the principal amount to be redeemed shall be determined by the Issuer. Mailed notice of redemption shall be given to the Registrar and to the Owner of the Note at least thirty (30) days prior to the date fixed for redemption.

Grace Period and Late Note Payment Penalty. If the note payment due on February 1 or August 1 is not received by the due date, the Owner will allow a grace period of eleven (11) days for the note payment to be paid. If the bond payment is not received by the Owner prior to the end of the grace period, the City shall pay to the Owner a late fee in an amount equal to 5% of the scheduled amount due on the applicable note payment date.

Date of Payment Not a Business Day. If the nominal date for payment of any principal of or interest on this Note shall not be a business day of the Issuer or of the Owner, then the date for such payment shall be the next such business day and payment on such business day shall have the same force and effect as if made on the nominal date of payment.

Fees upon Transfer or Loss. The Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Note and any legal or unusual costs regarding transfers and lost Note.

Issuance; Purpose; General Obligation. This Note is issued as a single instrument in the total principal amount of \$965,000, pursuant to and in full conformity with the Constitution, Charter of the Issuer, and laws of the State of Minnesota and pursuant to a resolution adopted by the City Council on September 2, 2025 (the “Resolution”) for the purpose of providing funds to finance the construction of street improvements and improvements to the municipal water system, sewer system, and storm sewer system (collectively, the “System”) within the jurisdiction of the Issuer. This Note is payable out of the General Obligation Improvement and Utility Revenue Note, Series 2025A Fund of the Issuer. This Note constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of its principal, premium, if any, and interest

when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Transfer. This Note is transferable, as provided in the Resolution, upon the Register kept by the Registrar upon surrender of this Note together with a written instrument of transfer duly executed by the Owner or the Owner's attorney duly authorized in writing, and thereupon a new, fully registered Note in the same aggregate principal amount shall be issued to the transferee in exchange therefor (or the transfer shall be duly recorded on the Register and the Certificate of Registration hereof), upon the payment of charges and satisfaction of applicable conditions, if any, as therein prescribed. The Issuer may treat and consider the person in whose name this Note is registered as the absolute Owner hereof for the purpose of receiving payment of or on account of the principal of and interest on this Note and for all other purposes whatsoever.

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

Registration. This Note shall not be valid or become obligatory for any purpose or be entitled to any security unless the Certificate of Registration hereon shall have been executed by the Registrar.

Qualified Tax-Exempt Obligation. This Note has been designated by the Issuer as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution, the Charter of the Issuer, and laws of the State of Minnesota to be done, to happen and to be performed, precedent to and in the issuance of this Note, have been done, have happened and have been performed, in regular and due form, time and manner as required by law; that the Issuer has covenanted and agreed with the Owner of the Note that it will impose and collect charges for the service, use and availability of its System at the times and in amounts necessary to produce net revenues, together with other sums pledged to the payment of the Utility Portion of the Note, as defined in the Resolution, adequate to pay all principal and interest when due on the Utility Portion of the Note; and that the Issuer will levy a direct, annual, irrepealable ad valorem tax upon all of the taxable property of the Issuer, without limitation as to rate or amount, for the years and in amounts sufficient to pay the principal and interest on Utility Portion of the Note as they respectively become due, if the net revenues from the System, and any other sums irrevocably appropriated to the Debt Service Account are insufficient therefor; and that this Note, together with all other debts of the Issuer outstanding on the date of original issue hereof and the date of its issuance and delivery to the original purchaser, does not exceed any constitutional, charter, or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of St. James, Watonwan County, Minnesota, by its City Council has caused this Note to be executed on its behalf by the manual signatures of its Mayor and its City Manager, the corporate seal of the City having been intentionally omitted as permitted by law.

Date of Registration:

CITY OF ST. JAMES,  
WATONWAN COUNTY, MINNESOTA

September 16, 2025

REGISTRABLE BY AND PAYABLE AT:

OFFICE OF THE CITY CLERK-  
TREASURER  
City of St. James, Minnesota

[do not sign]  
Mayor

[do not sign]  
City Manager

CERTIFICATE OF REGISTRATION



The transfer of ownership of the principal amount of the attached Note may be made only by the registered owner or the registered owner's legal representative last noted below:

DATE OF REGISTRATION	REGISTERED OWNER	SIGNATURE OF REGISTRAR (CITY CLERK-TREASURER)
September 16, 2025	Security Bank & Trust Co. 110 First Street North P.O. Box 130 Winsted, MN 55395	[do not sign]