

**MINUTES – BENSON CITY COUNCIL – EMERGENCY MEETING
OCTOBER 14, 2007**

The meeting was called to order at 12:00 Noon by Mayor Paul Kittelson. Members present: Sue Fitz, Gary Landmark, Bob Claussen, and Paul Kittelson. Members absent: One vacancy. Also present: City Manager Rob Wolfington and Assistant City Attorney Tara Ulmaniec.

The Mayor announced the reason the emergency meeting was called was because there would not be a quorum present at the October 15, 2007 meeting due to a planned vacation and a family medical emergency. Financial closure for the Electric Revenue Bonds is scheduled on October 16; therefore, the Resolution to amend the sale of electric revenue bonds needed to be approved prior to October 16.

The Assistant City Attorney informed the Council that the reasons stated justified calling an emergency meeting. The City Manager informed the Council that he contacted both the Swift County Monitor News and KSCR radio station regarding this meeting.

Council Member Landmark offered the following Resolution and moved its adoption:

**RESOLUTION AMENDING AND RESTATING THE SEPTEMBER 24, 2007
RESOLUTION RELATING TO \$6,890,000 ELECTRIC REVENUE BONDS, SERIES
2007A, AUTHORIZING THE ISSUANCE, AWARDING THE SALE, FIXING THE
FORM AND DETAILS, PROVIDING FOR THE EXECUTION AND DELIVERY
THEREOF AND SECURITY THEREFOR
(RESOLUTION NO. 2007-18)**

A. WHEREAS on September 24, 2007 the City Council of the City of Benson, Minnesota (the "Issuer") adopted a Resolution Relating to \$6,740,000 Electric Revenue Bonds, Series 2007A, Authorizing the Issuance, Awarding the Sale, Fixing the Form and Details, Providing for the Execution and Delivery Thereof and Security Therefor (the "Resolution"); and

B. WHEREAS, it has heretofore been determined and declared that it is necessary and expedient for the City Council to amend the Resolution to provide for additional terms required by Radian Asset Assurance Inc., a corporation organized under the laws of the State of New York or any successor thereto (the "Insurer") pursuant to its commitment to insure the Bonds;

C. WHEREAS, the City of Benson, Minnesota (the "Issuer") owns and operates the Benson Electric Utility (the "Electric Utility") and has heretofore, pursuant to law, created an Electric Fund into which all revenues of the Electric Utility are paid; and

D. WHEREAS, pursuant to a resolution adopted December 18, 2000 (the "Prior Resolution") the Issuer authorized the issuance and sale of \$3,635,000 Electric Revenue Bonds, Series 2000, dated December 19, 2000 (the "Prior Bonds") for the purpose of providing money to finance the purchase and installation of five 1860 KW standby generators at the existing power plant of the Electric Utility. There are presently outstanding \$3,055,000 in principal amount of the Prior Bonds and paragraph 4 (a) of the Prior Resolution provides as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$135,000	2016	\$205,000
2009	140,000	2017	220,000
2010	150,000	2018	235,000
2011	155,000	2019	250,000
2012	165,000	2020	265,000
2013	175,000	2021	280,000
2014	185,000	2022	300,000
2015	195,000		

E. WHEREAS, the City Council has heretofore determined that it is necessary and expedient to provide moneys, by the issuance of its \$6,890,000 Electric Revenue Bonds, Series 2007A (the "Bonds" or, individually, a "Bond"), pursuant to Minnesota Statutes, Chapters 453 and 475, to (i) finance improvements to the Electric Utility (the "Improvements") in the amount of \$3,685,000 (the "Improvement Portion of the Bonds") and (ii) provide funds for the payment and advance refunding of the outstanding \$3,055,000 principal amount of the Prior Bonds (the "Refunding") in the amount of \$3,205,000 (the "Refunding Portion of the Bonds"); \$2,630,000

principal amount of the Prior Bonds (the "Callable Prior Bonds") which matures on and after June 1, 2011, is callable on June 1, 2010 (the "Call Date"), as provided in the Prior Resolution, and the refunding of the Callable Prior Bonds is consistent with the covenants made with the holders of the Prior Bonds and is necessary and desirable for the reduction of debt service cost to the Issuer; and the payment of \$425,000 aggregate principal amount of the Prior Bonds on their maturity dates of June 1, 2008, June 1, 2009, and June 1, 2010, is also consistent with the covenants made with the holders of the Prior Bonds; and

F. WHEREAS, it is hereby found, determined and declared that the Refunding is pursuant to Minnesota Statutes, Section 475.67, subdivision 12, and shall result in a present value savings, as of the Call Date, of \$69,840.92, computed in accordance with the provisions of Minnesota Statutes, Section 475.67, subdivision 12; and

G. WHEREAS, other than the Prior Bonds, there are no bonds, certificates or other obligations payable out of the net revenues of the Electric Utility constituting a lien or charge upon the revenues thereof; and

H. WHEREAS, the Issuer has retained Ehlers and Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the competitive negotiated sale of the Bonds and was therefore authorized to sell the Bonds by private negotiation in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

I. WHEREAS, proposals to purchase the Bonds have been solicited by Ehlers and the proposals set forth on Exhibit A attached hereto were received pursuant to the terms established for the Bonds by the Clerk-Finance Director at the City Hall at 10:00 A.M. on this same day; and

J. WHEREAS, it is in the best interests of the Issuer that the Bonds be issued in book-entry form as hereinafter provided:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Benson, Minnesota that all terms and provisions of the Resolution as initially adopted on September 24, 2007, be amended and restated to read as follows:

1. Findings. It is hereby found, determined and declared that it is advisable, expedient and necessary to issue the Bonds to finance the Improvements and accomplish the Refunding.

2. Sufficiency of Net Revenues. The City Council reasonably expects that the estimated revenues to be derived from the operation of the Electric Utility during the term of the Bonds will be more than sufficient to produce net revenues after current costs of operation and maintenance adequate to pay principal and interest when due on the Bonds and to maintain reasonable reserves therefor.

2. Acceptance of Proposal. The proposal of Griffin, Kubik, Stephens and Thompson, Inc., Chicago, Illinois (the "Purchaser"), to purchase the Bonds in accordance with the Terms of Proposal established for the Bonds, at the rates of interest hereinafter set forth, and to pay therefor the sum of \$6,787,213.60, plus interest accrued to settlement, is hereby found, determined and declared to be the most favorable proposal received and is hereby accepted, and the Bonds are hereby awarded to the Purchaser. The Clerk-Finance Director is directed to retain the deposit of the Purchaser and to forthwith return to the unsuccessful bidders any good faith checks or drafts.

2. Bond Terms.

(a) Original Issue Date; Denominations and Maturities. The Bonds shall be dated October 16, 2007, as the date of original issue and shall be issued in fully registered form, shall be numbered from R-1 upward in the denomination of \$5,000 each or in any integral multiple thereof of a single maturity (the "Authorized Denominations") and mature on June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$250,000	2016	\$ 310,000
2009	230,000	2017	325,000
2010	240,000	2018	340,000
2011	255,000	2020	725,000
2012	260,000	2021	385,000
2013	275,000	2023	825,000

2014	285,000	2024	440,000
2015	300,000	2027	1,445,000

(b) Allocation. The Improvement Portion of the Bonds, being the aggregate principal amount of \$3,685,000 maturing in each of the years and amounts hereinafter set forth, is issued to finance the Improvements. The Refunding Portion of the Bonds, being the aggregate principal amount of \$3,205,000 maturing in each of the years and amounts hereinafter set forth, is issued to finance the Refunding.

<u>Year</u>	<u>Improvement Portion (Amount)</u>	<u>Refunding Portion (Amount)</u>	<u>Total Amount</u>
2008	\$ 50,000	\$200,000	\$250,000
2009	75,000	155,000	230,000
2010	75,000	165,000	240,000
2011	80,000	175,000	255,000
2012	85,000	175,000	260,000
2013	90,000	185,000	275,000
2014	90,000	195,000	285,000
2015	95,000	205,000	300,000
2016	100,000	210,000	310,000
2017	100,000	225,000	325,000
2018	100,000	240,000	340,000
2019	105,000	250,000	355,000
2020	110,000	260,000	370,000
2021	110,000	275,000	385,000
2022	115,000	290,000	405,000
2023	420,000	0	420,000
2024	440,000	0	440,000
2025	460,000	0	460,000
2026	480,000	0	480,000
2027	505,000	0	505,000

If Bonds are prepaid the prepayments shall be allocated to the portions of debt service and hence allocated to the payment of Bonds treated as relating to a particular portion of debt service as provided in this paragraph.

(c) Book Entry Only System. The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or any of its successors or its successors to its functions hereunder (the "Depository") will act as securities depository for the Bonds, and to this end:

(i) The Bonds shall be initially issued and, so long as they remain in book entry form only (the "Book Entry Only Period"), shall at all times be in the form of a separate single fully registered Bond for each maturity of the Bonds; and for purposes of complying with this requirement under paragraphs 7 and 12 Authorized Denominations for any Bond shall be deemed to be limited during the Book Entry Only Period to the outstanding principal amount of that Bond.

(ii) Upon initial issuance, ownership of the Bonds shall be registered in a bond register maintained by the Bond Registrar (as hereinafter defined) in the name of CEDE & CO., as the nominee (it or any nominee of the existing or a successor Depository, the "Nominee").

(iii) With respect to the Bonds neither the Issuer nor the Bond Registrar shall have any responsibility or obligation to any broker, dealer, bank, or any other financial institution for which the Depository holds Bonds as securities depository (the "Participant") or the person for which a Participant holds an interest in the Bonds shown on the books and records of the Participant (the "Beneficial Owner"). Without limiting the immediately preceding sentence, neither the Issuer, nor the Bond Registrar, shall have any such responsibility or obligation with respect to (A) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in the Bonds, or (B) the delivery to any Participant, any Owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption, or (C) the payment to any Participant, any Beneficial Owner or any other person, other than the Depository, of any amount with respect to the principal of or premium, if any, or interest on the Bonds, or (D) the consent given or other action taken by the Depository as the registered Holder of any Bonds (the "Holder"). For purposes of

securing the vote or consent of any Holder under this Resolution, the Issuer may, however, rely upon an omnibus proxy under which the Depository assigns its consenting or voting rights to certain Participants to whose accounts the Bonds are credited on the record date identified in a listing attached to the omnibus proxy.

(iv) The Issuer and the Bond Registrar may treat as and deem the Depository to be the absolute owner of the Bonds for the purpose of payment of the principal of and premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to the Bonds, for the purpose of obtaining any consent or other action to be taken by Holders for the purpose of registering transfers with respect to such Bonds, and for all purpose whatsoever. The Bond Registrar, as paying agent hereunder, shall pay all principal of and premium, if any, and interest on the Bonds only to the Holder or the Holders of the Bonds as shown on the bond register, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid.

(v) Upon delivery by the Depository to the Bond Registrar of written notice to the effect that the Depository has determined to substitute a new Nominee in place of the existing Nominee, and subject to the transfer provisions in paragraph 12, references to the Nominee hereunder shall refer to such new Nominee.

(vi) So long as any Bond is registered in the name of a Nominee, all payments with respect to the principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, by the Bond Registrar or Issuer, as the case may be, to the Depository as provided in the Letter of Representations to the Depository required by the Depository as a condition to its acting as book-entry Depository for the Bonds (said Letter of Representations, together with any replacement thereof or amendment or substitute thereto, including any standard procedures or policies referenced therein or applicable thereto respecting the procedures and other matters relating to the Depository's role as book-entry Depository for the Bonds, collectively hereinafter referred to as the "Letter of Representations").

(vii) All transfers of beneficial ownership interests in each Bond issued in book-entry form shall be limited in principal amount to Authorized Denominations and shall be effected by procedures by the Depository with the Participants for recording and transferring the ownership of beneficial interests in such Bonds.

(viii) In connection with any notice or other communication to be provided to the Holders pursuant to this Resolution by the Issuer or Bond Registrar with respect to any consent or other action to be taken by Holders, the Depository shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action; provided, that the Issuer or the Bond Registrar may establish a special record date for such consent or other action. The Issuer or the Bond Registrar shall, to the extent possible, give the Depository notice of such special record date not less than fifteen calendar days in advance of such special record date to the extent possible.

(ix) Any successor Bond Registrar in its written acceptance of its duties under this Resolution and any paying agency/bond registrar agreement, shall agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.

(x) In the case of a partial prepayment of a Bond, the Holder may, in lieu of surrendering the Bonds for a Bond of a lesser denomination as provided in paragraph 7, make a notation of the reduction in principal amount on the panel provided on the Bond stating the amount so redeemed.

(d) Termination of Book-Entry Only System. Discontinuance of a particular Depository's services and termination of the book-entry only system may be effected as follows:

(i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. The Issuer may terminate the services of the Depository with respect to the Bond if it determines that the Depository is no longer able to carry out its functions as securities depository or the continuation of the

system of book-entry transfers through the Depository is not in the best interests of the Issuer or the Beneficial Owners.

(ii) Upon termination of the services of the Depository as provided in the preceding paragraph, and if no substitute securities depository is willing to undertake the functions of the Depository hereunder can be found which, in the opinion of the Issuer, is willing and able to assume such functions upon reasonable or customary terms, or if the Issuer determines that it is in the best interests of the Issuer or the Beneficial Owners of the Bond that the Beneficial Owners be able to obtain certificates for the Bonds, the Bonds shall no longer be registered as being registered in the bond register in the name of the Nominee, but may be registered in whatever name or names the Holder of the Bonds shall designate at that time, in accordance with paragraph 12. To the extent that the Beneficial Owners are designated as the transferee by the Holders, in accordance with paragraph 12, the Bonds will be delivered to the Beneficial Owners.

(iii) Nothing in this subparagraph (c) shall limit or restrict the provisions of paragraph 12.

(e) Letter of Representations. The provisions in the Letter of Representation are incorporated herein by referenced and made a part of the resolution, and if and to the extent any such provisions are inconsistent with the other provisions of this resolution, the provisions in the Letter of Representation shall control.

5. Purpose. The Improvement Portion of the Bonds shall provide funds to finance the Improvements and the Refunding Portion of the Bonds shall provide funds to finance the Refunding. The Issuer covenants that it shall do all things and perform all acts required of it to assure that work on the Improvements proceeds with due diligence to completion and that any and all permits and studies required under law for the Improvements are obtained. It is hereby found and determined that the Refunding is pursuant to Minnesota Statutes, Section 475.67 and shall result in a reduction of debt service cost to the Issuer. The Improvements and the Refunding 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 Bonds.

6. Interest. The Bonds shall bear interest payable semiannually on June 1 and December 1 of each year (each, an "Interest Payment Date") commencing June 1, 2008, at the respective rates per annum set forth opposite the maturity years as follows:

<u>Maturity Years</u>	<u>Interest Rates</u>	<u>Maturity Years</u>	<u>Interest Rates</u>
2008	4.375%	2016	4.375%
2009	4.375	2017	4.375
2010	4.375	2018	4.375
2011	4.375	2020	4.375
2013	4.375	2021	4.40
2013	4.375	2023	4.50
2014	4.375	2024	4.60
2015	4.375	2027	4.70

7. Redemption. (a) Optional. All Bonds maturing on June 1, 2018, and thereafter, shall be subject to redemption and prepayment at the option of the Issuer on June 1, 2017, 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 maturities and the principal amounts within each maturity to be redeemed shall be determined by the Issuer; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Notice of redemption shall be given by first class mail at least thirty days prior to the date fixed for redemption to the paying agent and to each affected registered holder of the Bonds at the address shown on the registration books. The exercise of any provision of the Resolution that permits the purchase of the Bonds in lieu of redemption shall require the prior written consent of the Insurer if any Bond so purchased is not canceled upon purchase.

Redemption of the Bonds shall be permitted at any time without the Insurer's prior written consent so long as funds for such redemption are irrevocably deposited with the Bond Registrar prior to rendering notice of redemption to the Bondholders, or in the alternative, the notice expressly states that such redemption is subject to the deposit of funds by the Issuer. The

exercise of any provision of this Resolution that permits the purchase of the Bonds in lieu of redemption shall require the prior written consent of the Insurer if any Bond so purchased is not canceled upon purchase.

To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar prior to giving notice of redemption shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of the Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers so assigned to the Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of the Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the Issuer or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the Issuer and Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of the Bond, without service charge, a new Bond or Bonds having the same stated maturity and interest rate and of any

Authorized Denomination or Denominations, as requested by the Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

(b) Mandatory Redemption. The Bonds maturing on June 1, 2020, 2023 and 2027 (the "Term Bonds") shall be redeemed by lot on June 1 in the following years and principal amounts, without any premium, plus accrued interest thereon to such redemption dates (after any credits are made as provided below):

Mandatory Redemption Schedule
June 1, 2020 Term Bond (inclusive)

<u>Year</u>	<u>Principal Amount</u>
2019	\$355,000
2020 (maturity)	370,000

June 1, 2023 Term Bond (inclusive)

<u>Year</u>	<u>Principal Amount</u>
2022	\$405,000
2023 (maturity)	420,000

June 1, 2027 Term Bond (inclusive)

<u>Year</u>	<u>Principal Amount</u>
2025	\$460,000
2026	480,000
2027 (maturity)	505,000

or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of the Bonds then outstanding.

The City may, at its option to be exercised on or before the thirtieth day next preceding any date specified in the Mandatory Redemption Schedule above, deliver to the Bond Registrar written notice, which shall (i) specify a principal amount of such Term Bonds previously redeemed (otherwise than pursuant to the above Mandatory Redemption Schedule) or purchased and cancelled by the Bond Registrar and not theretofore applied as a credit against any redemption of Bonds pursuant to the above Mandatory Redemption Schedule, and (ii) instruct the Bond Registrar to apply the principal amount of such Term Bonds so delivered or previously redeemed or purchased and cancelled for credit against the principal installments to be prepaid pursuant to the Mandatory Redemption Schedule and selected by the City. Each such Term Bond so delivered or previously redeemed or purchased and cancelled shall be credited by the Bond Registrar against the principal installments to be prepaid pursuant to the Mandatory Redemption Schedule and selected by the City.

(8) Bond Registrar. U.S. Bank National Association, in St. Paul, Minnesota, is appointed to act as bond registrar and transfer agent with respect to the Bonds (the "Bond Registrar"), and shall do so unless and until a successor Bond Registrar is duly appointed, all

pursuant to any contract the Issuer and Bond Registrar shall execute which is consistent herewith. The Bond Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal and interest on the Bonds shall be paid to the registered Holders (or record holders) of the Bonds in the manner set forth in the form of Bond and paragraph 14. Prior to an event of default the Insurer shall have the right to remove the Bond Registrar for cause, and upon the occurrence of an event which would with notice or the passage of time constitute an event of default, the Insurer shall have the right to remove the Bond Registrar for any reason.

(9) Form of Bond. The Bonds, together with the Bond Registrar's Certificate of Authentication, the form of Assignment and the registration information thereon, shall be in substantially the following form:

**UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF SWIFT
CITY OF BENSON**

R-_____ \$_____

ELECTRIC REVENUE BOND, SERIES 2007A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	June 1, 20__	October 16, 2007	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of Benson, County of Swift, Minnesota (the "Issuer"), hereby certifies that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, unless called for earlier redemption, and to pay interest thereon semiannually on June 1 and December 1 of each year (each, an "Interest Payment Date") commencing June 1, 2008, at the rate per annum specified above, (calculated on the basis of a 360-day year of twelve 30-day months) until the principal sum is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from the date of original issue hereof. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of U.S. Bank National Association in St. Paul, Minnesota (the "Bond Registrar"), acting as paying agent, or any successor paying agent duly appointed by the Issuer. Interest on this Bond will be paid on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered (the "Holder" or "Bond Holder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given to Bondholders not less than ten days prior to the Special Record Date. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America. So long as this Bond is registered in the name of the Depository or its Nominee as provided in the Resolution hereinafter described, and as those terms are defined therein, payment of principal of, premium, if any, and interest on this Bond and notice with respect thereto shall be made as provided in the Letter of Representations, as defined in the Resolution and surrender of this Bond shall not be required for payment of the redemption price upon a partial redemption of this Bond. Until termination of the book-entry only system pursuant to the Resolution, Bonds may only be registered in the name of the Depository or its Nominee.

Optional Redemption. All Bonds of this issue (the "Bonds") maturing on June 1, 2018, and thereafter, are subject to redemption and prepayment at the option of the Issuer on June 1, 2017, 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 maturities and the principal amounts within each maturity to be redeemed shall be determined by the Issuer; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof

called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Notice of redemption shall be given by first class mail at least thirty days prior to the date fixed for redemption to the paying agent and to each affected Holder of the Bonds at the address shown on the registration books.

Mandatory Redemption. Bonds maturing on June 1, 2020, 2023 and 2027 (the "Term Bonds") shall be redeemed by lot on June 1 in the following years and principal amounts, at their principal amount, without any premium, plus accrued interest thereon to such redemption date (after any credits are made as provided below):

Mandatory Redemption Schedule	
<u>June 1, 2020 Term Bond (inclusive)</u>	
<u>Year</u>	<u>Principal Amount</u>
2019	\$355,000
2020 (maturity)	370,000
<u>June 1, 2023 Term Bond (inclusive)</u>	
<u>Year</u>	<u>Principal Amount</u>
2022	\$405,000
2023 (maturity)	420,000
<u>June 1, 2027 Term Bond (inclusive)</u>	
<u>Year</u>	<u>Principal Amount</u>
2025	\$460,000
2026	480,000
2027 (maturity)	505,000

or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of the Bonds then outstanding. The Issuer may, at its option to be exercised on or before the thirtieth day next preceding any date specified in the Mandatory Redemption Schedule above, deliver to the Bond Registrar written notice, which shall (i) specify a principal amount of such Term Bonds previously redeemed (otherwise than pursuant to the above Mandatory Redemption Schedule) or purchased and cancelled by the Bond Registrar and not theretofore applied as a credit against any redemption of Bonds pursuant to the above Mandatory Redemption Schedule, and (ii) instruct the Bond Registrar to apply the principal amount of such Term Bonds so delivered or previously redeemed or purchased and cancelled for credit against the principal installments to be prepaid pursuant to the Mandatory Redemption Schedule and selected by the Issuer. Each such Term Bond so delivered or previously redeemed or purchased and cancelled shall be credited by the Bond Registrar against the principal installments to be prepaid pursuant to the Mandatory Redemption Schedule and selected by the Issuer. Prior to the date on which any Bond or Bonds are directed by the Issuer to be redeemed in advance of maturity, the Issuer will cause notice of the call thereof for redemption identifying the Bonds to be redeemed to be mailed to the Bond Registrar and all Bondholders, at the addresses shown on the Bond Register. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption have been duly deposited.

Selection of Bonds for Redemption; Partial Redemption. To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to the Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of the Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of the Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the Issuer or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the Issuer and Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of the Bond, without service charge, a new Bond or Bonds having the same stated maturity and interest rate and of any Authorized Denomination or Denominations, as requested by the Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Issuance; Purpose; Special Obligations. This Bond is one of an issue in the total principal amount of \$6,890,000, all of like date of original issue and tenor, except as to number, maturity, interest rate, redemption privilege and denomination, issued pursuant to and in full conformity with the charter of the Issuer, the Constitution and the laws of the State of Minnesota and pursuant to a resolution adopted by the City Council on September 24, 2007, as amended and restated on October 14, 2007 (the "Resolution"), for the purpose of providing money to finance the cost of improvements to the municipal electric light and power plant and system (the "Electric Utility") and to advance refund the outstanding Electric Revenue Bonds, Series 2000. The Bonds and the interest thereon are payable solely and exclusively from the net revenues of the Electric Utility pledged to the payment thereof, and do not constitute a debt of the Issuer, within the meaning of any constitutional or statutory limitation of indebtedness. In the event of any default hereunder, the Holder of this Bond may exercise any of the rights and privileges granted by the laws of the State of Minnesota subject to the provisions of the Resolution. The Bonds of this issue are a first and prior lien upon the net revenues of the Electric Utility, except that the Issuer is authorized under certain conditions to issue additional revenue obligations on a parity of lien with the Bonds, all as provided in the Resolution.

Remedies. The Holders of twenty percent or more in aggregate principal amount of Bonds at any time outstanding may, either by law or in equity, by suit, action, or other proceedings, protect and enforce the rights of all Holders of Bonds then outstanding, or enforce and compel the performance of any and all of the covenants and duties specified in the Resolution to be performed by the Issuer or its officers and agents; provided, however, that nothing shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and interest on each of the Bonds issued to the respective Holders thereof at the time and place, from the source and in the manner provided in the Resolution.

Denominations; Exchange; Resolution. The Bonds are issuable solely in fully registered form in Authorized Denominations (as defined in the Resolution) and are exchangeable for fully registered Bonds of other Authorized Denominations in equal aggregate principal amounts at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution. Reference is hereby made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Transfer. This Bond is transferable by the Holder in person or by the Holder's attorney duly authorized in writing at the principal office of the Bond Registrar upon presentation and surrender hereof to the Bond Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar. Thereupon the Issuer shall execute and the Bond Registrar shall authenticate and deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee (but not registered in blank or to "bearer" or similar designation), of an Authorized Denomination or Denominations, in aggregate principal amount equal to the principal amount of this Bond, of the same maturity and bearing interest at the same rate.

Fees upon Transfer or Loss. The Bond 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 Bond and any legal or unusual costs regarding transfers and lost Bonds.

Treatment of Registered Owners. The Issuer and the Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except as provided on the reverse side hereof with respect to the Record Date) and for all other purposes, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

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

Qualified Tax-Exempt Obligations. The Bonds have been designated by the Issuer as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the charter of the Issuer, the Constitution and the laws of the State of Minnesota to be done, to happen and to be performed, precedent to and in the issuance of this Bond, have been done, have happened and have been performed, in regular and due form, time and manner as

required by law, and this Bond, 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 charter, constitutional or statutory limitation of indebtedness; and that the Issuer will maintain rates and charges for the electric service furnished by the Electric Utility sufficient in an amount to promptly meet the principal and interest requirements of this issue.

IN WITNESS WHEREOF, the City of Benson, Swift County, Minnesota, has caused this Bond to be executed on its behalf by the facsimile signatures of the Mayor and the Clerk-Finance Director, the corporate seal of the Issuer having been intentionally omitted as permitted by law.

Date of Registration:

Registrable by: U.S. BANK NATIONAL ASSOCIATION

BOND REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Resolution mentioned within.

U.S. BANK NATIONAL ASSOCIATION
St. Paul, Minnesota

Payable at: U.S. BANK NATIONAL ASSOCIATION

CITY OF BENSON, SWIFT COUNTY, MINNESOTA

/s/ Facsimile

Mayor

/s/ Facsimile

Clerk-Finance Director

By _____
Authorized Signature

Radian Asset Assurance Inc. ("Radian"), a New York corporation, has issued its Policy (the "Policy") insuring the payment of principal of and interest on this Bond on the "due date," as defined in the Policy. Reference is made to the Policy for the complete provisions thereof. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation and transfer rights of Radian as more fully set forth in the Policy.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UTMA - _____ as custodian for _____ under the _____ Uniform Transfers to Minors Act
(Cust) (Minor) (State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

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

Dated: _____

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 any change whatever.

Signature Guaranteed:

Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges or any other "Eligible Guarantor Institution" as defined in 17 CFR 240.17 Ad-15(a)(2).

The Bond Registrar will not effect transfer of this Bond unless the information concerning the transferee requested below is provided.

Name and Address: _____

(Include information for all joint owners if the Bond is held by joint account.)

PREPAYMENT SCHEDULE

This Bond has been prepaid in part on the date(s) and in the amount(s) as follows:

<u>Date</u>	<u>Amount</u>	<u>Authorized Signature of Holder</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

10. Execution; Temporary Bonds. The Bonds shall be in typewritten form, shall be executed on behalf of the City by the signatures of its Mayor and Clerk-Finance Director and be sealed with the seal of the City; provided, as permitted by law, both signatures may be photocopied facsimiles and the corporate seal has been omitted. In the event of disability or resignation or other absence of either officer, the Bonds may be signed by the manual or facsimile signature of the officer who may act on behalf of the absent or disabled officer. In case either officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, the signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery.

11. Authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this resolution unless a Certificate of Authentication on such Bond, substantially in the form hereinabove set forth, shall have been duly executed by an authorized representative of the Bond Registrar. Certificates of Authentication on different Bonds need not be signed by the same person. The Bond Registrar shall authenticate the signatures of officers of the Issuer on each Bond by execution of the Certificate of Authentication on the Bond and by inserting as the date of registration in the space provided the date on which the Bond is authenticated, except that for purposes of delivering the original Bonds to the Purchaser, the Bond Registrar shall insert as a date of registration the date of original issue of October 16, 2007. The Certificate of Authentication so executed on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution.

12. Registration; Transfer; Exchange. The Issuer will cause to be kept at the principal office of the Bond Registrar a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Bond Registrar shall provide for the registration of Bonds and the registration of transfers of Bonds entitled to be registered or transferred as herein provided.

Upon surrender for transfer of any Bond at the principal office of the Bond Registrar, the Issuer shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration (as provided in paragraph 11) and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any Authorized Denomination or Denominations of a like aggregate principal amount, having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Bond may be registered in blank or in the name of "bearer" or similar designation.

At the option of the Holder, Bonds may be exchanged for Bonds of any Authorized Denomination or Denominations of a like aggregate principal amount and stated maturity, upon surrender of the Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration of, and deliver the Bonds which the Holder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this resolution shall be promptly canceled by the Bond Registrar and thereafter disposed of as directed by the Issuer.

All Bonds delivered in exchange for or upon transfer of Bonds shall be valid special obligations of the Issuer evidencing the same debt, and entitled to the same benefits under this resolution, as the Bonds surrendered for such exchange or transfer.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the Holder thereof or the Holder's attorney duly authorized in writing.

The Bond 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 any Bond and any legal or unusual costs regarding transfers and lost Bonds.

Transfers shall also be subject to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates. The Clerk-Finance Director is hereby authorized to negotiate and execute the terms of the agreement.

13. Rights Upon Transfer or Exchange. Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

14. Interest Payment, Record Date. Interest on any Bond shall be paid on each Interest Payment Date by check or draft mailed to the person in whose name the Bond is registered (the "Holder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such interest payment date (the "Regular Record Date"). Any such interest not so timely paid shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten days prior to the Special Record Date.

As long as the financial guaranty insurance policy (the "Policy") issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein shall be in full force and effect, the Bond Registrar shall comply with the following provisions:

(a) At least three (3) days prior to all Interest Payment Dates, the Bond Registrar, will determine whether there will be sufficient funds to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Bond Registrar determines that there will be insufficient funds, the Bond Registrar shall so notify The Bank of New York (the "Insurance Trustee"). Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. The Insurer will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which the Insurance Trustee shall have received notice of nonpayment from the Bond Registrar.

(b) The Bond Registrar shall, after giving notice to the Insurance Trustee as provided in (a) above, make available to the Insurer and the Insurance Trustee, the registration books of the Issuer maintained by the Bond Registrar, and all records relating to the funds maintained under this Resolution.

(c) The Bond Registrar shall provide the Insurer and the Insurance Trustee with a list of Holders of Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Holders of Bonds entitled to receive full or partial interest payments from the Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the Holders of Bonds entitled to receive full or partial principal payments from the Insurer.

(d) The Bond Registrar shall at the time it provides notice to the Insurance Trustee pursuant to (a) above, notify registered Holders of Bonds entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee as determined by the Insurer, of an appropriate assignment

of the Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurer to permit ownership of such Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Bond Registrar and (iv) that should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Bonds for payment thereon first to the Bond Registrar, who shall note on such Bonds the portion of the principal paid by the Bond Registrar and then, along with an appropriate instrument of assignment in form satisfactory to the Insurer, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Bond Registrar has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a registered Holder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Registrar shall, at the time the Insurance Trustee is notified pursuant to (a) above, notify all registered Holders that in the event that any registered Holder's payment is so recovered, such registered Holder will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Bond Registrar shall furnish to the Insurance Trustee and the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Bond Registrar and subsequently recovered from registered Holders and the dates on which such payments are made.

(f) The Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bond Registrar shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Registrar, upon receipt from the Insurer of proof of the payment of interest thereon to the registered Owners of the Bonds and (ii) in the case of subrogation as to claims for past due principal, the Bond Registrar shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Bond Registrar upon surrender of the Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

The Bond Registrar shall not make a claim for payment on the Policy until any and all funds held pursuant to this Resolution have been fully drawn to pay principal of or interest on the Bonds.

15. Treatment of Registered Owner. The Issuer and the Bond Registrar may treat the person in whose name any Bond is registered as the owner of the Bond for the purpose of receiving payment of principal of and premium, if any, and interest (subject to the payment provisions in paragraph 14) on, the Bond and for all other purposes whatsoever whether or not the Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

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

17. Fund and Accounts. For the convenience and proper administration of the proceeds derived from the sale of the Bonds and for the payment of principal of and interest on the Bonds, the Electric Fund shall continue to be in effect, subject to the following accounts which are hereby established:

(i) Capital Account. To the Capital Account there shall be credited the proceeds of the sale of the Improvement Portion of the Bonds plus the amount of Bond proceeds necessary to pay the costs of issuance of the Bonds, less the Improvement Portion of the Bonds proceeds deposited in the Reserve Account and any amount paid for the Improvement Portion of the Bonds in excess of the minimum bid. From the Capital Account shall be paid all costs of issuance incurred in issuing the Bonds and all costs of making the Improvements, 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. Any balance remaining in the Capital Account after the payment of such costs shall be transferred to the Parity Revenue Bond Debt Service Account herein established.

(ii) Escrow Account. The Escrow Account shall be created and maintained as an escrow account with U.S. Bank National Association (the "Escrow Agent") in St. Paul, Minnesota, which is a suitable financial institution within or without the State whose deposits are insured by the Federal Deposit Insurance Corporation and whose combined capital and surplus is not less than \$500,000. To the Escrow Account there shall be credited the proceeds of the sale of the Refunding Portion of the Bonds less the Refunding Portion of the Bonds proceeds deposited in the Reserve Account and any amount paid for the Refunding Portion of the Bonds in excess of the minimum bid. The Refunding Portion of the Bonds shall be received by the Escrow Agent and applied to fund the Escrow Account. The Escrow Account shall be invested in securities maturing or callable at the option of the holder on such dates and bearing interest at such rates as shall be required to provide sufficient funds, together with any cash or other funds retained in the Escrow Account, to pay when due the interest to accrue on the Prior Bonds to their maturity or to the Call Date and to pay the principal amount of each Prior Bond at maturity or on the Call Date. The moneys in the Escrow Account shall be used solely for the purposes herein set forth and for no other purpose, except that any surplus in the Escrow Account may be remitted to the Issuer, all in accordance with the Escrow Agreement by and between the Issuer and Escrow Agent (the "Escrow Agreement"), a form of which is on file in the office of the Clerk-Finance Director. Any moneys remitted to the Issuer upon termination of the Escrow Agreement shall be deposited in the Parity Revenue Bond Debt Service Account.

(iii) Operation and Maintenance Account. To the Operation and Maintenance Account shall be paid all gross revenues and earnings derived from the operation of the Electric Utility. From the Operation and Maintenance Account there shall be paid all, but only, current expenses of the Electric Utility. Current expenses shall include the reasonable and necessary costs of administering, operating, maintaining and insuring the Electric Utility, the cost of purchasing power from other utilities and/or power agencies, salaries, wages, costs of materials and supplies, necessary legal, engineering and auditing services, and all other items which, by sound accounting practices constitute normal, reasonable and current costs of operation and maintenance, but excluding any allowance for depreciation, extraordinary repairs and payments into the Parity Revenue Bond Debt Service Account, the Subordinate Revenue Bond Debt Service Account and the Reserve Account. There shall at all times be maintained in the Operation and Maintenance Account a reserve in an amount sufficient to cover the operation and maintenance costs of the Electric Utility for the ensuing two month period. All money remaining in the Operation and Maintenance Account, including interest or other earnings received from the investment of any moneys in the Electric Fund, after paying or providing for the foregoing items shall constitute and are referred to in this resolution as "net revenues."

(iv) Parity Revenue Bond Debt Service Account. To the Parity Revenue Bond Debt Service Account shall be credited and to which there is hereby irrevocably pledged (a) any accrued interest paid by the Purchaser upon delivery of the Bonds, (b) all funds paid for the Bonds in excess of the minimum bid, and (c) from the net revenues of the operation of the Electric Utility, commencing upon delivery of the Bonds, and on or before the tenth day of each month thereafter, an amount not less than one-sixth of the total amount of interest payable on the Bonds and any other bonds issued on a parity therewith (collectively the "Parity Bonds") on the next succeeding Interest Payment Date plus one-twelfth of the total amount of principal payable on the Parity Bonds on the next succeeding June 1 principal payment date; provided, however, that no further payments need be made to the Parity Revenue Bond Debt Service Account when the moneys held therein are sufficient for the payment of all principal and interest due on the Parity Bonds on or before the next maturity date of each issue thereof. No money shall be paid out of the account except to pay principal and interest on the Parity Bonds.

(v) Reserve Account. The Reserve Account shall be used only when and if moneys in the Parity Revenue Bond Debt Service Account or other moneys available therefor are insufficient to pay principal and interest on the Parity Bonds; provided, however, that the moneys in the Reserve Account may be used to prepay the Parity Bonds, when such prepayment will retire all of the Parity Bonds then outstanding. There is hereby pledged and appropriated the sum of \$214,501.26 from Bond proceeds and the sum of \$317,250.00 from the Reserve Account of the Prior Bonds. The sums in the Reserve Account allocated to the Bonds shall be maintained in the amount of \$531,751.26 and, subject to the requirements and limitations of the Code, shall be maintained in the additional amount of the maximum annual debt service of any additional Parity Bonds. Any amounts in the Reserve Account allocated to the Bonds in excess of \$531,751.26 shall be transferred to the Operation and Maintenance Account.

Whenever any moneys constituting the Reserve Account shall be used to pay principal and interest, the Reserve Account shall be restored from the next available net revenues, replenished in twelve equal monthly payments immediately succeeding such withdrawal, provided however, that the Reserve Account shall terminate whenever there are sufficient funds in the Parity Revenue Bond Debt Service Account to pay principal and interest on all outstanding Parity Bonds. In no event may sums in the Reserve Account be used to fund the Parity Revenue Bond Debt Service Account so long as there are sufficient net revenues therefor. The balance in the Reserve Account shall be deemed to be the sum of all cash and the cost of all securities held in the account. Any deficiency in the Reserve Account determined upon the annual valuation thereof, shall be replenished in three equal monthly payments immediately succeeding such valuation date. Amounts contained in any Reserve Account shall be invested only in the instruments set forth in paragraphs (i) and (ii) of the definition of Permitted Investments in Section 19, with maturities of not longer than one year. No Reserve Account credit facilities, insurance policies, forward delivery agreements, hedge, par-put agreements, repurchase agreements or investment agreements may be used without the prior written consent of the Insurer.

(vi) Subordinate Revenue Bond Debt Service Account. To the Subordinate Revenue Bond Debt Service Account shall be credited monthly and to which there shall be irrevocably pledged from the net revenues of the operation of the Electric Utility a sum equal to at least one-twelfth of the total principal and interest due during the ensuing twelve months on any obligations secured by a lien on said net revenues second and subordinate to the pledge of net revenues for the security of the Parity Bonds; provided, however, that no further payments need be made to the account when the moneys held therein are sufficient for the payment of all principal and interest due on the subordinate lien bonds payable therefrom on or before the next maturity date of each issue thereof. No money shall be paid out of the account except to pay principal and interest on the Parity Bonds (on a priority of lien) or any subordinate lien bonds payable from said account.

18. Excess Net Revenues. Net revenues in excess of those required for the foregoing purposes may be used for any proper purpose.

19. Investments. Moneys on deposit in the Reserve Account, the Parity Revenue Bond Debt Service Account and the Subordinate Revenue Bond Debt Service Account may be invested in any securities described in Minnesota Statutes, Section 475.66, as from time to time amended. Such investment may at any time be liquidated and the proceeds thereof applied for the purpose or purposes for which the fund was created. All income derived from such investment shall constitute net revenues of the Electric Utility.

Notwithstanding the foregoing, as long as the Policy shall be in full force and effect, all Accounts shall be invested only in Permitted Investments (as defined below) and as permitted under Minnesota Statutes, Section 475.66, provided, however, that amounts in any Parity Revenue Bond Debt Service Account shall be invested only in Permitted Investments with maturities not longer than ten years, the average life of which is not longer than five years. Investments on deposit in all funds and accounts shall be valued at market value at least annually. No credit facilities, insurance policies, hedge or par-put agreements may be used without the prior written consent of the Insurer.

The term "Permitted Investments" means, to the extent permitted by applicable law:

(i) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(ii) Investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (a) the Export-Import Bank of the United States, (b) the Federal Housing Administration, (c) the Government National Mortgage Association ("GNMA"), (d) the Rural Economic Community Development Administration (formerly known as the Farmers Home Administration), (e) the Federal Financing Bank, (f) the Department of Housing and Urban Development, (g) the General Services Administration, (h) the U.S. Maritime Administration or (i) the Small Business Administration.

The value of the above investments (paragraphs i-ii) shall be determined as follows:

"Value", which shall be determined annually, means that the value of any investments shall be calculated as follows:

(a) for securities:

(1) computed on the basis of the bid price last quoted by the Federal Reserve Bank of New York on the valuation date and printed in the Wall Street Journal or The New York Times; or

(2) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date.

(b) as to certificates of deposit and banker's acceptances: the face amount thereof, plus accrued interest.

20. Allocation of Money. The money in the Electric Utility Fund shall be allotted and paid to the various accounts herein established in the order in which the funds are listed on a cumulative basis, and if in any month the money in the accounts is insufficient to place the required amount in any account, the deficiency shall be made up in the following month or months after payment into all other funds having a prior claim on the revenues have been made in full.

21. Separate Accounting. All money held in any of the accounts created by this resolution shall be kept separate and apart from all municipal funds and accounts and shall be deposited in any bank or banks selected by the Issuer.

22. Arbitrage Covenants. The Reserve Account, the Parity Revenue Bond Debt Service Account and the Subordinate Revenue Bond Debt Service Account shall be used solely to pay the principal and interest and any premiums for redemption of all Parity Bonds. No portion of the proceeds of the Bonds 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 Bonds were issued, (2) as part of a reasonably required reserve or replacement fund not in excess of ten percent of the proceeds of the Bonds, and (3) in addition to the above in an amount not greater than the lesser of five percent of the proceeds of the Bonds or \$100,000. To this effect, any proceeds of the Bonds and any sums from time to time held in the Reserve Account, the Parity Revenue Bond Debt Service Account and the Subordinate Revenue Bond Debt Service Account any other Issuer account which will be used to pay principal or interest to become due on the bonds payable therefrom) in excess of amounts which under the applicable federal arbitrage regulations may be invested in excess of the applicable yield restrictions imposed by said 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the federal Internal Revenue Code of 1986, as amended (the "Code").

23. Additional Parity Bonds. The Bonds issued hereunder shall be secured by a first charge and lien upon the net revenues of the Electric Utility. No additional obligations shall be hereafter issued unless they are secured by a lien on the net revenues which is expressly made second and subordinate to the lien upon the net revenues securing all Parity Bonds; provided however, that additional obligations may be issued on a parity of lien with the Parity Bonds, if the annual net revenues of the Electric Utility (with adjustments as hereinafter provided) for the completed fiscal year immediately preceding the issuance of such additional obligations were equal to at least (a) one and one-quarter times the maximum annual principal and interest coming due thereafter on all outstanding Parity Bonds, including the additional obligations so to be issued; and (b) equal to the maximum annual principal and interest coming due thereafter on all outstanding obligations payable from the revenues of the Electric Utility Fund, including any subordinate lien obligations and the additional obligations so to be issued; and provided also, that the interest to become due on any such additional Parity Bonds shall commence on June 1 of the year in which such interest first becomes payable and shall be payable semiannually thereafter on June 1 and December 1 of each year and the principal to become due on such additional Parity Bonds shall be payable on June 1 of each year in which any such principal becomes due.

For the purpose of determining the net revenues of the Electric Utility for each of the preceding fiscal year as aforesaid, the amount of the gross revenues of the Electric Utility for

such year may be adjusted by a Consulting Engineer or by the independent certified public accountant who prepared the last audit report covering the operations of the Electric Utility so as to reflect any changes in the amount of such revenues which would have resulted if any revision of the schedule of rates and charges imposed at least six months prior to the time of issuance of any additional bonds had been in effect. The amount of the revenues may be further adjusted for such purpose by a Consulting Engineer or such certified public accountant to the extent that either person estimates that: (a) any demand charges (as opposed to charges for the purchase of electric energy paid under any interconnection agreement or contract with another utility system for the interchange of electric service during the preceding fiscal year would have been eliminated or reduced by reason of the improvements and extensions then to be constructed, (b) net revenues of the Electric Utility would have increased if the customers using the Electric Utility as of the date of issuance of the additional obligations had been customers during said preceding year, (c) a reduction in base load energy costs or savings in the cost of purchased power would have been affected if the improvements and extensions then to be constructed had been in operation during said preceding year, (d) the annual net revenues of the Electric Utility during the first fiscal year of operation after completion of the improvements and extensions then to be constructed will increase because of the sale of surplus power resulting from the addition to the Electric Utility of the improvements and extensions; provided, however, that such sale or sales may be considered only to the extent the same are supported by firm contracts requiring the Purchaser to pay for available surplus power or capacity whether or not it is in fact accepted by the Purchaser and (e) the impact of any formally adopted and implemented rate increase that was not in effect for all or some part of the historical fiscal year. The term "Consulting Engineer" means an engineer or firm of engineers who is not an officer or regular employee of the Issuer and is not devoting substantially all time and effort to the affairs of the Electric Utility.

Subject to the provisions of paragraph 28, additional Parity Bonds may also be issued, without complying with the coverage provisions set forth above, to provide funds to:

(1) Finance the Issuer's cost under any agreement entered into between the Issuer and one or more other Electric Utility suppliers for the purchase of excess capacity of the facilities by such other suppliers until such time that the Issuer no longer needs to utilize such excess capacity to meet its own power supply needs, including, but not limited to, any agreement between the Issuer and their power supplier, covering the purchase of additional capacity.

(2) Finance the Issuer's share of any cost incurred pursuant to a joint electrical agreement entered into under the authority of Minnesota Statutes, Sections 453.51 to 453.63.

Nothing herein shall be construed as prohibiting the Issuer from treating the costs referred to in this paragraph as an operating cost payable from the Operation and Maintenance Account so long as the obligation to pay such costs is not treated as debt under generally accepted accounting principles.

No additional Parity Bonds may be issued pursuant to this paragraph unless the conditions and requirements of the resolutions authorizing all respective Parity Bonds are complied with and fully performed.

Variable rate indebtedness (indebtedness which does not bear a fixed rate of interest to maturity) and balloon indebtedness (indebtedness of which 25% or more of the principal amount comes or may come due in any one fiscal year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof), shall be subject to the prior approval of the Insurer.

Any certifications requiring computations establishing that debt service coverage is sufficient to authorize to support the issuance of Parity Debt or that requisite debt service savings are available to support the issuance of refunding bonds shall, in all cases, be evidenced by a certificate of an independent certified public accountant or an independent Consulting Engineer.

No additional bonds, notes, certificates, contracts or any other obligations secured by any charge or lien upon the net revenues of the Electric Utility (the "Additional Debt") shall be issued by the Issuer unless no event of default shall have occurred and be continuing with respect to the Bonds.

24. Refunding Bonds. The Issuer reserves the right and privilege of issuing additional Parity Bonds if and to the extent needed to refund bonds maturing within six months of the issuance of the refunding bonds in case the moneys in the Parity Revenue Bond Debt Service Account, the Subordinate Revenue Bond Debt Service Account and the Reserve Account of the Electric Utility Fund are insufficient to pay the same at maturity, provided that such

refunding Parity Bonds shall mature subsequent to all other Parity Bonds which are still outstanding upon completion of such refunding.

Refunding Bonds which do not defease all of the insured Bonds may be issued without the consent of the Insurer, provided there is no increase in maximum annual debt service.

25. Subordinate Lien Bonds. Except as authorized in paragraphs 23 and 24, the Issuer covenants and agrees that it will issue or incur no obligations payable from the net revenues of all or a part of the Electric Utility or constituting in any manner a lien thereon, unless such obligations are secured by a lien on such net revenues which is expressly made junior and subordinate to the lien and charge of the Parity Bonds on the net revenues, except that the Parity Bonds, or any part thereof, may be refunded and the refunding bonds issued shall enjoy complete equality of lien with the portion of any Parity Bonds not refunded, if there are any, provided that if only a portion of the outstanding Parity Bonds shall be so refunded and if such Parity Bonds shall be refunded in such manner that the annual principal and interest to become due on the refunding Parity Bonds shall be greater than the annual principal and interest to become due on the Parity Bonds to be refunded (assuming payment at their maturity), then such Parity Bonds may not be refunded without the consent of the Holders of the unrefunded portion of the outstanding Parity Bonds.

Any debt of the Issuer which is subordinate to the lien of the Bondholders on the Revenues, shall have the same payment dates as the Bonds and provide that such debt may not be accelerated without the consent of the Insurer.

Subordination Provisions Applicable to Subordinated Debt

(a) The indebtedness evidenced by the subordinated debt and any renewals or extensions thereof (herein called "Subordinated Indebtedness"), shall at all times be wholly subordinate and junior in right of payment to any and all indebtedness of the Issuer under the Resolution or the Bonds (herein called "Superior Indebtedness"), in the manner and with the force and effect hereafter set forth:

(1) In the event of any liquidation, dissolution or winding up of the Issuer, or of any execution, sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or other similar proceeding relative to the Issuer or its property, all principal and interest owing on all Superior Indebtedness shall first be paid in full before any payment is made upon the Subordinated Indebtedness, provided, however, that, except for Revenues, this sentence shall not apply to payments made on such Subordinated Indebtedness from the proceeds of collateral specifically securing such Subordinated Indebtedness; and in any such event any payment or distribution of any kind or character from sources other than the proceeds of collateral specifically securing the Subordinated Indebtedness, except for Revenues, whether in cash, property or securities (other than in securities, including equity securities, or other evidences of indebtedness, the payment of which is subordinated to the payment of all Superior Indebtedness which may at the time be outstanding) which shall be made upon or in respect of the Subordinated Indebtedness shall be paid over to the holders of such Superior Indebtedness, pro rata, for application in payment thereof unless and until such Superior Indebtedness shall have been paid or satisfied in full; and

(2) In the event that the Subordinated Indebtedness is declared or becomes due and payable because of the occurrence of any event of default hereunder (or under the agreement or Resolution, as appropriate) or otherwise than at the option of the Issuer, under circumstances when the foregoing clause (1) shall not be applicable, the holders of the Subordinated Indebtedness shall be entitled to payments only after there shall first have been paid in full all Superior Indebtedness outstanding at the time the Subordinated Indebtedness so becomes due and payable because of any such event, or payment shall have been provided for in a manner satisfactory to the holders of such Superior Indebtedness, provided, however, that, except for Revenues, this sentence shall not apply to payments made on such Subordinated Indebtedness from the proceeds of collateral specifically securing such Subordinated Indebtedness.

(b) The Issuer agrees, for the benefit of the holders of Superior Indebtedness, that in the event that any Subordinated Indebtedness is declared due and payable before its expressed maturity because of the occurrence of a default hereunder, (i) the Issuer will give prompt notice in writing of such happening to the holders of Superior Indebtedness and (ii) all Superior Indebtedness shall forthwith become immediately due and payable upon demand, regardless of the expressed maturity thereof.

(c) Any default in the covenants contained in this section shall be an immediate "Event of Default" without regard to any "grace period" otherwise contained herein.

(d) If the holder of the Subordinated Indebtedness is a commercial bank, savings bank, savings and loan association or other financial institution which is authorized by law to accept and hold deposits of money or issue certificates of deposit, such holder must agree to waive any common law or statutory right of setoff with respect to any deposits of the Issuer maintained with or held by such holder.

In the event the net revenues are insufficient to pay principal and interest on the Bonds, the Bond Registrar shall transfer, to the extent necessary, from any account relating to any subordinate debt (including the Subordinate Revenue Bond Debt Service Account) monies sufficient to pay principal and interest on the Bonds.

26. Application of Funds Upon Default. In the event moneys in the Parity Revenue Bond Debt Service Account, the Subordinate Revenue Bond Debt Service Account and the Reserve Account shall be insufficient at any time to pay the principal then due and interest then accrued on all Parity Bonds payable therefrom, moneys shall first be applied to the payment pro rata of the accrued interest on all such Parity Bonds, and any balance shall be applied in payment pro rata of the principal on all such Parity Bonds; provided further that if it shall ever be determined by a court of competent jurisdiction while any such Parity Bonds remain outstanding that the sums available and to become available for the payment of the principal thereof and interest thereon are insufficient whether or not then due, then the moneys in the Parity Revenue Bond Debt Service Account, the Subordinate Revenue Bond Debt Service Account and the Reserve Account shall be applied in payment of all then outstanding principal whether or not then due and the interest accrued thereon to the date of payment ratably according to the aggregate amount thereof without any preference or priority. Upon an event of default all Revenues shall be immediately deposited with the Bond Registrar. No waivers shall be granted without the prior written consent of the Insurer.

The Issuer must cure any covenant default 30 days after notice of the default, and failure (i) to pay principal of or interest on the Bonds or (ii) to comply with the Subordinate Lien Bonds provisions in Section 25 shall be an immediate event of default.

Amounts paid by the Insurer in respect of the principal and/or interest on the Bonds shall bear interest until repaid to the Insurer at a per annum rate of interest equal to the rate from time to time announced by the Insurance Trustee as its base lending rate plus three percent (3%).

27. Bondholder Remedies. The Holders of twenty percent or more in aggregate principal amount of all outstanding Parity Bonds may, either at law or in equity, by suit, action, or other proceedings, protect and enforce the rights of all Holders of all outstanding Parity Bonds or enforce or compel the performance of any and all of the covenants and duties specified in this resolution, to be performed by the Issuer or its officers and agents, including the fixing and maintaining of rates and charges and the collection and proper segregation of revenues and the application and use thereof; provided, however, that nothing herein shall affect or impair the right of the Holder of any Parity Bond to enforce the payment of the principal of and interest on any Parity Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and interest on each of the Parity Bonds issued hereunder to the respective Holders thereof at the time and place, from the source and in the manner provided in the Parity Bonds.

Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds or any Paying Agent appointed for the benefit of the Holders under this Resolution as if the Insurer were the Holder of the Bonds insured by it.

28. Additional Covenants. For the protection of the Holders of the Bonds herein authorized and all other Parity Bonds from time to time outstanding, the Issuer herein covenants and agrees to and with the Holders thereof from time to time as follows:

(a) It will at all times adequately maintain and efficiently operate the Electric Utility as a municipal utility. It will from time to time make all needful and proper repairs, replacements, additions and betterments to the equipment and facilities of the Electric Utility so that they may at all times be operated properly and advantageously, and whenever any equipment of the system shall have been worn out, destroyed or otherwise become insufficient for proper use, it shall be promptly replaced or repaired so that the value and efficiency of the

Electric Utility shall be at all times fully maintained and its revenues unencumbered by reason thereof.

(b) It will permit no free service to any consumer or utility. The rates for all electric service and the charges for all electricity supplied by the public utilities to the municipality and its residents and to all consumers shall be reasonable and just, taking into account the cost and value of the Electric Utility, the cost of maintaining and operating the Electric Utility and the proper and necessary allowances for depreciation and the amounts required for the payment of principal and interest on the bonds payable from the net revenues of the Electric Utility. The Issuer shall maintain rates sufficient to provide sufficient operating revenues for the payment of (i) operating expenses; (ii) 1.25 times annual debt service on the Bonds and all parity debt, and (iii) all other debt and required deposits to the Parity Revenue Bond Debt Service Account and all other required deposits pursuant to the Resolution.

(c) It will establish, maintain and collect such charges and rates as will produce revenues sufficient to pay the reasonable cost of operation and maintenance of the Electric Utility and to pay one hundred twenty-five percent of the interest on and principal of all Parity Bonds and one hundred percent of the interest on and principal of all subordinate lien bonds as and when they become due as well as to provide sufficient money to make the required appropriations to the various accounts established herein.

(d) The Issuer will not sell, lease, mortgage, or in any manner dispose of the Electric Utility or any part thereof including any and all extensions and additions that may be made thereto until all bonds payable from the revenues of the Electric Utility or a part thereof have been paid in full; provided however, that the Issuer may sell the Electric Utility or any part thereof if simultaneously with or prior to the sale all of the outstanding bonds are discharged in accordance with paragraph 31; and provided further that the Issuer may sell or lease all or any part of the electric generating facilities of the Electric Utility to a municipal power agency of which it is a member provided that the Issuer shall continue to operate and maintain an electric distribution system as part of the Electric Utility. This covenant shall not be construed to prevent the sale by the Issuer at fair market value of real estate, equipment or other non-revenue producing properties which in the judgment of the Issuer have become unnecessary, uneconomical or inexpedient to use in connection with the Electric Utility provided that suitable facilities are obtained in place thereof or in the judgment of the Issuer the sale will not adversely affect the Electric Utility earnings or ability to meet required financial obligations.

(e) It will procure and keep in force insurance upon the Electric Utility, with an insurer or insurers in good standing, of a kind and in an amount which would normally be carried by private companies in a like business, including public liability insurance; provided, that property and casualty coverage shall at all times be maintained in an amount at least equal to the outstanding principal amount of the Bonds. And it will keep in full force and effect fiduciary bonds on employees in charge of the utilities. In the event of any loss, the proceeds from such insurance (including liability insurance) or bonds shall be used to make good such loss or to repair or restore the utility or to discharge all of the outstanding Parity Bonds in accordance with paragraph 31. Insurance premiums shall be paid as a cost of operation. The Issuer shall (i) cause an independent insurance consultant to annually review the insurance coverage and to make recommendations, and (ii) comply with such recommendations. The Issuer will not self-insure without the consent of the Insurer. Moneys resulting from the proceeds of casualty insurance or other property insurance shall be held by the Bond Registrar in the Capital Account until the disposition of such funds is decided. The appropriateness of any disposition of such insurance proceeds shall be supported by a certificate of the Consulting Engineer. The Consulting Engineer shall be required to report annually on (i) the condition and operation of the Electric Utility, (ii) on the sufficiency of the Capital Account which shall be required to be funded by any additional amounts recommended by the Consulting Engineer.

(f) The Issuer shall cause to be kept proper books, records and accounts adapted to the Electric Utility separate from other accounts to be audited by a certified public accountant at the end of each fiscal year. A copy of the audit shall be furnished, without cost, to the original purchaser of any outstanding Parity Bonds within one hundred eighty days after the close of each fiscal year. If the Issuer fails to provide such audit at such time, the Holders of twenty percent or more of the outstanding Parity Bonds may cause such audit to be made at the expense of the Issuer. The expense of preparing such audit shall be paid as current operating expenses of the utility. The original purchaser of the outstanding Parity Bonds and the Holders thereof, or their duly appointed representatives, from time to time shall have the right at all reasonable times, to inspect the Electric Utility and to inspect and copy the books, records, accounts and data relating thereto. The Issuer agrees to furnish copies of such audit, without cost, to any Holder or Holders of the Parity Bonds at their request within ninety days after the close of each fiscal year.

29. Output Contracts. The Issuer herein covenants that it has not heretofore nor will it hereafter enter into any contract which will obligate any person or persons to purchase electric energy in a total aggregate amount which would cause any of the Parity Bonds herein authorized to become private activity bonds within the meaning of Section 103(b) of the Internal Revenue Code and the regulations promulgated thereunder, and in particular Federal Income Tax Regulations, Section 1.103-7(b)(5).

30. Amendments. No change, amendment, modification or alteration shall be made in the covenants made with Holders of the Parity Bonds without the consent of the Holders of not less than sixty percent in principal amount of then such outstanding Parity Bonds except for changes, amendments, modifications and alterations made (a) to cure any ambiguity or formal defect or omission, or (b) any other change which would not materially prejudice the Holders of such outstanding Parity Bonds; provided, however, that nothing herein contained shall permit or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any such Parity Bonds, or (ii) a reduction in the principal amount of any such Parity Bond or the rate of interest thereon, or (iii) a privilege or priority of any such Parity Bond or Bonds over any other Parity Bond or Bonds except as otherwise provided herein, or (iv) a reduction in the aggregate principal amount of such Parity Bonds required for consent to any change, amendment, modification or alteration, or (v) permit the creation of any lien ranking prior to or on a parity with the lien of such Parity Bonds, except as hereinbefore expressly permitted, or (vi) modify any of the provisions of this paragraph without the consent of the Holders of one hundred percent of the principal amount of Parity Bonds outstanding, or, in the case of any modifications described in clauses (i) through (v) the Holders of only those outstanding Parity Bonds adversely affected by the modifications.

Notwithstanding the foregoing, no change, amendment, modification or alteration shall be made in the terms of the Bonds or the covenants made with Holders of the Parity Bonds without the consent of the Insurer (other than to issue debt incurred in accordance with the terms of the Resolution).

Any rating agency rating the Bonds must receive notice of each amendment to the Resolution and a copy thereof at least fifteen (15) Business Days in advance of its execution or adoption. The Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment.

31. Defeasance. When any Parity Bonds and the interest due thereon, have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the Holders of such Parity Bonds shall cease. The Issuer may discharge any Parity Bonds which are due on any date by depositing with the Bond Registrar for such Bonds on or before that date a sum sufficient for the payment thereof in full; or if any Parity Bond should not be paid when due, it may nevertheless be discharged by depositing with the Bond Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The Issuer may also discharge its obligations with respect to any prepayable Parity Bonds called for redemption on any date when they are prepayable according to their terms, by depositing with the Bond 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 as provided in the resolution authorizing the Parity Bonds. The Issuer may also at any time discharge its obligations with respect to any Parity Bonds, 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 provided in the resolution authorizing the Parity Bonds has been duly provided for, to such earlier redemption date. The Issuer may discharge Parity Bonds as herein provided without the consent of the Holders of any outstanding Parity Bonds.

Notwithstanding the foregoing, as long as the Policy shall be in full force and effect, the following shall be a condition to defeasance:

- (i) the Issuer shall deposit in escrow only non-redeemable obligations of the United States or those for which the full faith and credit of the United States are pledged for the timely payment of principal and interest;
- (ii) a verification report by a verifier acceptable to the Insurer shall be in form and substance satisfactory to the Insurer;

(iii) an opinion of bond counsel shall be rendered to the Insurer to the effect that all of the requirements of the Resolution for defeasance of the Bonds have been complied with;

(iv) no forward delivery agreements, hedge, purchase and resale agreements or par-put agreements may be used with respect to the investment of any funds or securities defeasing the Bonds without the prior written consent of the Insurer.

32. Fiscal Year. As used in this resolution the words "Fiscal Year" shall mean the twelve month period beginning on January 1 of each year and ending on December 31 of the same year. Should it be deemed advisable at some later date to change its fiscal yearly basis, the same may be done by proper actions to that effect, with the approval of the original Purchaser of these Bonds, which change shall not constitute an amendment or modification of this resolution.

33. Refunding Requirements.

(a) Refunding. The Issuer will complete the Refunding at a total cost not to exceed the proceeds of the Refunding Portion of the Bonds and net revenues of the Electric Utility or other moneys available and appropriated for the payment thereof.

(b) Escrow Agreement. On or prior to the delivery of the Refunding Portion of the Bonds the Mayor and Clerk-Finance Director shall, and are hereby authorized and directed to, execute on behalf of the Issuer the Escrow Agreement. The Escrow Agreement is hereby approved and adopted and made a part of this resolution and the Issuer covenants that it will promptly enforce all provisions thereof in the event of default thereunder by the Escrow Agent.

(c) Securities Purchased. Securities purchased from moneys in the Escrow Account shall be limited to securities set forth in Minnesota Statutes, Section 475.67, Subdivision 8, and any amendments or supplements thereto. Securities purchased from the Escrow Account shall be purchased simultaneously with the delivery of the Refunding Portion of the Bonds. The Issuer has investigated the facts and hereby finds and determines that the Escrow Agent is a suitable financial institution to act as escrow agent.

(d) Notice of Redemption. The Callable Prior Bonds shall be redeemed and prepaid in accordance with the terms and conditions set forth in the Notice of Call for Redemption substantially in the form attached to the Escrow Agreement, which terms and conditions are hereby approved and incorporated herein by reference. The Notice of Call for Redemption shall be given pursuant to the Escrow Agreement. Failure to give notice by mail to any registered owner, or any defect therein, will not affect the validity of any proceedings for the redemption of the Callable Prior Bonds.

(e) Purchase of Securities for Escrow Account. Ehlers, as agent for the Issuer, is hereby authorized and directed to purchase on behalf of the Issuer and in its name the appropriate United States Treasury Securities, State and Local Government Series, and/or open market securities as provided in paragraph (c), from the proceeds of the Refunding Portion of the Bonds and, to the extent necessary, other available funds, all in accordance with the provisions of this resolution and the Escrow Agreement and to execute all such documents (including the appropriate subscription form) required to effect such purchase in accordance with the applicable U.S. Treasury Regulations.

(f) Prior Bonds; Security. Until retirement of the Prior Bonds, all provisions for the security thereof shall be observed by the Issuer and all of its officers and agents.

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

The Issuer hereby certifies and/or covenants as follows:

(a) Not later than sixty days after the date of payment of a Reimbursement Expenditure, the Issuer (or person designated to do so on behalf of the Issuer) has made or will have made a written declaration of the Issuer's official intent (a "Declaration") which effectively (i) states the Issuer'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 Issuer and the general functional purpose thereof from which the Reimbursement Expenditure was to be paid (collectively the "Project"); and (iii) states the maximum principal amount of debt expected to be issued by the Issuer for the purpose of financing the Project; provided, however, that no such Declaration shall necessarily have been made with respect to: (i) "preliminary expenditures" for the Project, 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 Improvement Portion of the Bonds, 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 Improvement Portion of the Bonds.

(b) Each Reimbursement Expenditure is a capital expenditure or a cost of issuance of the Improvement Portion of the Bonds 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 Improvement Portion of the Bonds and in all events within the period ending on the date which is the later of eighteen months after payment of the Reimbursement Expenditure or one year after the date on which the Project to which the Reimbursement Expenditure relates is first placed in service, but not more than three years after the date of the Reimbursement Expenditure.

(d) Each such reimbursement allocation will be made in a writing that evidences the Issuer's use of the Improvement Portion of Bond proceeds to reimburse the Reimbursement Expenditure and, if made within thirty days after the Improvement Portion of the Bonds are issued, shall be treated as made on the day the Improvement Portion of the Bonds are issued.

Provided, however, that the Issuer may take action contrary to any of the foregoing covenants in this paragraph upon receipt of an opinion of its Bond Counsel stating in effect that such action will not impair the tax-exempt status of the Bonds.

35. Continuing Disclosure. The Issuer is the sole obligated person with respect to the Bonds. The Issuer hereby agrees, in accordance with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and a Continuing Disclosure Undertaking (the "Undertaking") hereinafter described to:

(a) Provide or cause to be provided to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository ("SID"), if any, for the State of Minnesota, in each case as designated by the Commission in accordance with the Rule, certain annual financial information and operating data in accordance with the Undertaking. The Issuer reserves the right to modify from time to time the terms of the Undertaking as provided therein.

(b) Provide or cause to be provided, in a timely manner, to (i) each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and (ii) the SID, notice of the occurrence of certain material events with respect to the Bonds in accordance with the Undertaking.

(c) Provide or cause to be provided, in a timely manner, to (i) each NRMSIR or to the MSRB and (ii) the SID, notice of a failure by the Issuer to provide the annual financial information with respect to the Issuer described in the Undertaking.

(d) The Issuer agrees that its covenants pursuant to the Rule set forth in this paragraph and in the Undertaking is intended to be for the benefit of the Holders of the Bonds and shall be enforceable on behalf of such Holders; provided that the right to enforce the provisions of these covenants shall be limited to a right to obtain specific enforcement of the Issuer's obligations under the covenants.

The Mayor and Clerk-Finance Director of the Issuer, or any other officer of the Issuer authorized to act in their place (the "Officers") are hereby authorized and directed to execute on behalf of the Issuer the Undertaking in substantially the form presented to the Issuer Council subject to such modifications thereof or additions thereto as are (i) consistent with the requirements under the Rule, (ii) required by the Purchaser of the Bonds, and (iii) acceptable to the Officers.

36. Tax-Exempt Status of the Bonds; Rebate. The Issuer is subject to the rebate requirement imposed by Section 148(f) of the Code by reason of issuing (together with all subordinate entities thereof, and all entities treated as one issuer with the Issuer) more than \$5,000,000 of tax-exempt governmental obligations during this calendar year as provided in Section 148(f)(4)(D) of the Code and Section 1.148-8 of the Regulations.

With respect to the Improvement Portion of the Bonds, the Issuer expects to satisfy the twenty-four month expenditure exemption for gross proceeds of the Improvement Portion of the Bonds as provided in Section 1.148-7(c) of the Regulations.

The Mayor and or Clerk-Finance Director are hereby authorized and directed to make such elections as to arbitrage and rebate matters relating to the Bonds as they deem necessary, appropriate or desirable in connection with the Bonds, and all such elections shall be, and shall be deemed and treated as, elections of the Issuer.

39. Designation of Qualified Tax-Exempt Obligations. In order to qualify the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the Issuer hereby makes the following factual statements and representations:

- (a) the Bonds are issued after August 7, 1986;
- (b) the Bonds are not "private activity bonds" as defined in Section 141 of the Code;
- (c) the Issuer hereby designates the Bonds as "qualified tax-exempt obligations" 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 Issuer (and all entities treated as one issuer with the Issuer, and all subordinate entities whose obligations are treated as issued by the Issuer) during this calendar year 2007 will not exceed \$10,000,000; and
- (e) not more than \$10,000,000 of obligations issued by the Issuer during this calendar year 2007 have been designated for purposes of Section 265(b)(3) of the Code. The Issuer 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.

38. Subrogation. In the event that the principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of such registered owners.

39. Negative Covenant as to Use of Improvements. The Issuer hereby covenants not to use the Improvements or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the Improvements, in such a manner as to cause the Bonds to be "private activity bonds" within the meaning of Sections 103 and 141 through 150 of the Code.

40. 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.

41. Reporting Requirements. The Issuer shall provide notification to the Insurer in the event of any significant change in the financial condition of the Issuer or the physical condition of the Electric Utility and agree to deliver the following:

- (i) annual audited financial statements within one hundred fifty (150) days of the end of the fiscal year of the Issuer;
- (ii) a copy of any audit, budget, or other material report of the Issuer within twenty (20) days of completion of such audit, budget or report and thereafter as updated;
- (iii) a copy of any notice or report required to be given to the Insurance Trustee, the Paying Agent or the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Bonds;

- (iv) a copy of the annual report, or any special reports prepared from time to time of any Consulting Engineer;
- (v) a copy of any information filed by the Issuer with any NRMSIR under SEC Rule 15c-2(12), simultaneously with the filing with such NRMSIR; and
- (vi) such additional information as the Insurer may reasonably request.

The Issuer will permit Insurer and/or the Insurance Trustee to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer. The Issuer will permit the Insurer and/or the Insurance Trustee to have access to and make copies of all books and records relating to the Bonds, and the security therefor at any reasonable time.

42. Records and Certificates. The Clerk-Finance Director is authorized and directed to prepare and furnish to the original Purchaser of the Bonds, and the attorneys approving the same, certified copies of all orders and resolutions of the Issuer relating to the Electric Utility, and the issuance of the Bonds, and all other proceedings or records showing the right, power and authority of the Issuer to issue the same and to provide funds for the payment thereof, and such certified copies and certificates shall be deemed representations of the Issuer as to all statements therein.

43. Covenant With Bondholders. Each and all of the terms and provisions of this resolution shall be and constitute a covenant on the part of the Issuer to and with each and every Holder from time to time of the Bonds issued hereunder and any other Parity Bonds from time to time outstanding.

44. Party in Interest. The Insurer shall be included as a party in interest (third party beneficiary) with respect to the Resolution and as a party entitled to (i) notify the Bond Registrar of the occurrence of an event of default, and (ii) request the Paying Agent to intervene in judicial proceedings that affect the Bonds or the security therefore.

45. Consent Requirements. The Insurer's consent shall be required for the following purposes: (i) execution and delivery of any amendment or supplement to the Resolution (other than an amendment or supplement for the purpose of authorizing additional indebtedness in accordance with the terms of the Resolution) or any other document executed in connection with the issuance of the Bonds; (ii) removal of the Bond Registrar or the Paying Agent; and (iii) initiation or approval of any action not described in (i) and (ii) above which requires Bondholder consent.

46. Interpretation. Notwithstanding any other provision of this Resolution, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, the Bond Registrar shall consider the effect on the Bondholders without regard to the Policy.

47. Reimbursement. The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the (i) administration, enforcement, defense, or preservation of any rights or security hereunder; (ii) the pursuit of any remedies hereunder or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to this Resolution whether or not executed or completed, (iv) the violation by the Issuer of any law, rule, or regulation or any judgment, order or decree applicable to it, or (v) any litigation or other dispute in connection with this Resolution or the transactions contemplated thereby, other than amounts resulting from the failure of the Insurer to honor its payment obligations under the Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Resolution. All requests for any such amendments, waivers or consents shall be in writing and directed to Radian Asset Assurance Inc., 335 Madison Avenue, New York, NY 10017, ATTN: Risk Management Department.

Payments required to be made to the Insurer shall be payable solely from legally available moneys of the Issuer, but in no event shall they be deemed or construed to be debt or multiple fiscal year obligations of any kind. The obligations of the Issuer to the Insurer shall survive discharge and termination of this Resolution.

48. Indemnification. To the fullest extent permitted by the laws and Constitution of the State, the Issuer shall protect, hold harmless and indemnify the Insurer for, from and against any and all liability, obligations, losses, claims and damages paid or incurred in connection with the Issuer, the Resolution and any related instrument (including all environmental liabilities

regarding the Electric Utility) (except that the Issuer shall not protect, hold harmless or indemnify the Insurer for the willful or wanton acts or omissions, mistakes or gross negligence of the Insurer, to the extent that such acts, omissions, mistakes or gross negligence of such party are successfully alleged to have caused the liability, obligation, loss, claim or damage) and expenses in connection herewith including reasonable attorneys' fees and expenses. The obligations of the Issuer to protect, hold harmless, reimburse and indemnify the Insurer as set forth under this Section shall survive any termination, release, satisfaction and discharge of the Bonds.

49. Notices. All notices to the Insurer shall be delivered to Radian Asset Assurance Inc., 335 Madison Avenue, New York, NY 10017, Attention: Chief Risk Officer; telephone number – 212-983-5859; facsimile transmission number – 212-682-5377; e-mail – Muni_surveillance@radian.biz.

50. Payment of Issuance Expenses. The Issuer authorizes the Purchaser to forward the amount of Bond proceeds allocable to the payment of issuance expenses to U.S. Trust Company, N.A., Greenwich, Connecticut on the closing date for further distribution as directed by the Issuer's financial advisor, Ehlers.

51. 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.

Council Member Fitz seconded the foregoing Resolution and the following vote was recorded: AYES: Landmark, Fitz, Claussen, Kittelson. NAYS: None. ABSENT: One vacancy. Whereupon the Mayor declared Resolution No. 2007-18 duly passed and approved.

It was moved by Fitz, seconded by Claussen and carried unanimously to approve a pay request from Kuhlman Electric Corporation for the transformers in the amount of \$1,362,661.11.

It was moved by Fitz, seconded by Claussen and carried unanimously to table the remainder of the agenda until the next Council meeting and reschedule the October 22, 2007 Council meeting.

It was moved by Claussen, seconded by Fitz and carried unanimously to adjourn the meeting at 12:05 p.m.

Mayor

Attest: _____
City Manager