

RESOLUTION NO. 10

Resolution Approving and Consenting to the Issuance of Electric Utility Revenue Bonds, Series 2007C

BE IT RESOLVED by the Public Utility Board (the "Board") of the City of Rochester, Minnesota (the "City"), as follows:

1. Recitals.

- (a) The Board, in cooperation with the Rochester Common Council (the "Council"), has determined to make certain improvements (the "Improvements") to the City's municipal electric utility (the "Electric Utility"), and to refund in advance of their maturity the callable maturities of the City's Electric Revenue Bonds, Series 2000 in order to reduce debt service costs (the "Refunding").
- (b) In order to finance the Refunding and the Improvements, the Council will consider for approval on March 5, 2007, a resolution entitled "Resolution Awarding the Sale of the City's Electric Utility Revenue Bonds, Series 2007C and Providing for their Issuance (the "Resolution"), a copy of which has been presented to the Board for its consideration.
- (c) The Resolution would, upon its adoption, authorize the issuance of Electric Utility Revenue Bonds, Series 2007C in the aggregate principal amount not to exceed \$82,000,000 (the "Bonds"), specify the maximum term, rates of interest, redemption provisions, and other details of the Bonds, pledge the Net Revenues of the Electric Utility for the payment of the Bonds, and set forth other covenants and obligations of the City relating to the Electric Utility.
- (d) The Resolution is hereby incorporated into this Resolution to the same extent as though set forth in full herein, and each capitalized term which is used in this Resolution but not otherwise defined herein shall have the meaning given to that term in the Resolution.

2. Consent and Approval. The Board hereby consents to and approves the issuance of the Bonds, and determines that the issuance of the Bonds by the City is necessary and desirable and that the issuance of the Bonds is appropriate for the purposes for which the Bonds are issued. The Board hereby consents to, adopts and endorses the representations, terms and covenants of the Resolution, as incorporated in this Resolution in full. The Board hereby covenants and pledges to cooperate with the Council (and to take such actions, or refrain from acting, as the case may be, as may be necessary) in order to fully effectuate the intent, purposes and obligations of the City under the Resolution.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 5th day of March, 2007.

President

Secretary

The foregoing Resolution was introduced by Boardmember _____, who moved its adoption. The motion for the adoption of the foregoing Resolution was duly seconded by Boardmember _____ and upon a vote being taken thereon, the following Boardmembers voted in favor thereof:

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted.

STATE OF MINNESOTA
CITY OF ROCHESTER
PUBLIC UTILITY BOARD

I, the undersigned, being the duly qualified and acting Secretary of the Public Utility Board of the City of Rochester, Minnesota, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes with the original minutes of a meeting of the Board duly called and held on the date therein indicated, which are on file and of record in my office, and the same is a full, true and complete transcript therefrom approving the issuance and sale by the City of Rochester of its Electric Utility Revenue Bonds, Series 2007C.

WITNESS my hand as such Secretary this ____ day of _____, 2007.

Secretary
Rochester Public Utility Board

CITY OF ROCHESTER
COUNTY OF OLMSTED
STATE OF MINNESOTA

RESOLUTION NO. _____

RESOLUTION AWARDING THE SALE OF THE
CITY'S ELECTRIC UTILITY REVENUE
BONDS, SERIES 2007C
AND PROVIDING FOR THEIR ISSUANCE

A. WHEREAS, the City owns and operates its municipal electric utility as a public utility (such electric utility and all properties of every nature constituting a part thereof which may now or hereafter be owned by the City, including all improvements and extensions thereof, all real and personal property comprising a part of said system, and all appurtenances, contracts, leases, franchises, and other intangibles relating thereto, are collectively hereinafter referred to as the "Electric Utility");

B. WHEREAS, the City, in cooperation with the Rochester Public Utilities Board (the "Board") established pursuant to the City's Home Rule Charter, has undertaken or will undertake the construction and installation of various improvements to the Electric Utility, including, but not limited to, the construction and installation of an emissions reduction project and transmission lines (collectively, the "Improvements").

C. WHEREAS, the City does not currently have outstanding any electric utility revenue bonds, or similar obligations, which are payable from the revenues of the Electric Utility, except the City's \$37,290,000 (original principal amount) Electric Utility Revenue Bonds, Series 2000, dated as of December 1, 2000 (the "Series 2000 Bonds"), the \$11,725,000 (original principal amount) Electric Revenue Bonds, Series 2002A dated as of August 1, 2002 (the "Series 2002 Bonds") and the City's \$5,765,000 (original principal amount) Electric Revenue Note, Series 2005, dated March 11, 2005 (the "Series 2005 Note"); and

D. WHEREAS, the Series 2000 Bonds which mature in the years 2011 and thereafter are subject to redemption and prepayment at the option of the City on December 1, 2010, and on any date thereafter at a price of par plus accrued interest; and

E. WHEREAS, it is necessary and desirable to the sound financial management of the affairs of the City and of the Electric Utility that the City issue its Electric Utility Revenue Bonds, Series 2007C (the "Bonds"), pursuant to the Home Rule Charter of the City and the laws of the State of Minnesota, including the applicable provisions of Minnesota Statutes, Chapter 475, in order to finance the Improvements and to refund the Series 2000 Bonds maturing in the years 2011 and thereafter (the "Refunded Bonds") in advance of their maturity (the "Refunding").

NOW, THEREFORE, BE IT RESOLVED by the Common Council (the "Council") of the City of Rochester, Minnesota (the "City," which term, for purposes of this Resolution, shall include the Rochester Public Utilities Board), as follows:

1. Acceptance of Offer.

(a) The offer of Lehman Brothers (the "Purchaser") as set forth in the Bond Purchase Agreement by and between the City and the Purchaser (the "Bond Purchase Agreement"), a copy of which is on file with the City Clerk, to purchase the City's Electric Utility Revenue Bonds, Series 2007C (the "Bonds", or individually a "Bond"), upon the terms set forth in this Resolution and to ~~pay therefor the sum of _____~~ **receive a discount equal to _____%** of the principal amount of the Bonds is hereby accepted. The Mayor and City Administrator are authorized to execute the Bond Purchase Agreement on behalf of the City.

(b) 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 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 other applicable provisions of this Resolution, authorized denominations for each maturity of Bonds shall be deemed to be limited during the Book Entry Only Period to the outstanding principal amount of that maturity. While in such book entry form, the Bonds are sometimes hereinafter referred to as being in "Book Entry Only Form."

(ii) Upon initial issuance, ownership of the Bonds shall be registered in a bond register maintained by the Bond Registrar 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 City 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 to 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 City, 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 Beneficial 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 owner of any Bonds (the "Holder"). For purposes of securing the vote or consent of any Holder under this Resolution, the City 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 City 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 or upon the Holder or the Holders of the Bonds, as shown on the Bond Registrar's bond register, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and 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 hereof, 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 the City, as the case may be, to the Depository as provided in the Blanket Issuer Letter of Representations required by the Depository as a condition to its acting as book-entry Depository for the Bonds (said Blanket Issuer 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, are collectively hereinafter referred to as the "Blanket Issuer 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 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 City or the 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 City or the Bond Registrar may establish a special record date for such consent or other action. The City or the Bond Registrar shall, to the extent possible, give the

Depository notice of such special record date not less than 15 calendar days in advance thereof to the extent possible.

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

(c) 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 City and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of the Depository with respect to the Bonds if the City 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 City.

(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 City, is willing and able to assume such functions upon reasonable or customary terms, or if the City determines that it is in the best interests of the City that the Beneficial Owners be issued certificates for the Bonds, the Bonds shall no longer be registered 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 the applicable provisions of this Resolution. To the extent that the Beneficial Owners are designated as the transferee by the Holders, the Bonds will be delivered to the Beneficial Owners.

(iii) Nothing in this subparagraph (c) shall limit or restrict the provisions of paragraph 10 hereof.

(d) Blanket Issuer Letter of Representations. The City's execution and delivery of the Blanket Issuer Letter of Representations in substantially the form on file in the offices of the City is hereby ratified and confirmed. In the event of the disability or the resignation or other absence of the Mayor or City Clerk, such other officers of the City who may act in their behalf shall without further act or authorization of the City do all things and execute all instruments and documents required to be done or to be executed by such absent or disabled officials. The provisions in the Blanket Issuer Letter of Representations are incorporated herein by reference and made fully a part of this Resolution to the same extent as if set forth in full herein, and if and to the extent that any provisions of this Resolution are inconsistent or in conflict with the provisions of the Blanket Issuer Letter of Representations, the provisions in the Blanket Issuer Letter of Representations shall control.

2. Title; Original Issue Date; Maturities; Denominations.

(a) The Bonds shall be titled "Electric Utility Revenue Bonds, Series 2007C," shall be dated as of their date of issuance, and shall be issued forthwith on or after such date as fully registered bonds. The Bonds 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 Common Council hereby delegates to a pricing committee comprised of the City Finance Director and the General Manager and Director of Corporate Services of the Board, the authority to agree with the Purchaser as to the aggregate principal amount of the Bonds, the interest rates, maturity schedule and mandatory sinking fund schedule for the Bonds; provided that the aggregate principal amount of the Bonds shall not exceed \$_____, \$2,000,000, the true interest rate shall not exceed _____% and the final maturity date shall be not later than December 1, 2030. The Pricing Committee shall also determine whether to purchase bond insurance for the Bonds and whether to fund the Reserve Requirement for the Bonds with a surety bond. The Pricing Committee will also allocate the principal amounts and maturities of the Bonds to the costs of financing the Improvements and to the Refunding.

3. Purpose. The total cost of the Improvements and the Refunding is estimated to be at least equal to the net proceeds of the Bonds. The City has undertaken or will undertake the Improvements, and work on the Improvements shall proceed with due diligence to completion.

4. Interest. The Bonds shall bear interest payable semiannually on June 1 and December 1 of each year (each, an "Interest Payment Date"), commencing December 1, 2007, calculated on the basis of a 360-day year consisting of twelve 30-day months, at the respective rates per annum agreed to by the Pricing Committee.

5. Redemption. All Bonds maturing after December 1, 2016, shall be subject to redemption and prepayment at the option of the City on said date and on any date thereafter at a price of par plus accrued interest to date of redemption. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the City shall select the amount of Bonds of each maturity to be prepaid; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds of that maturity to be prepaid shall be chosen by lot by the Bond Registrar (hereinafter defined). 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. Mailed notice of redemption shall be given to the paying agent for the Bonds and to each affected registered owner of the Bonds at least 30 days but not more than 60 days prior to the date fixed for redemption.

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 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 so assigned to such Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such 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 such 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 City or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the City or Bond Registrar duly executed by the registered owner thereof or the registered owner's attorney duly authorized in writing) and the City shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the registered owner of such Bond, without service charge, a new Bond or Bonds of the same series having the same stated maturity and interest rate and of any authorized denomination or denominations, as requested by such registered owner, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

6. Bond Registrar. The City Finance Director is appointed to act as registrar and fiscal and transfer agent with respect to the Bonds (as used in this Resolution, the "Bond Registrar"), and shall do so unless and until a successor Bond Registrar is duly appointed, all pursuant to any contract the City and Bond Registrar shall execute, consistent with this Resolution. The Bond Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal of and interest on the Bonds shall be paid to the registered owners of the Bonds in the manner set forth in the form of Bond and paragraph 12 of this Resolution.

7. 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 OLMSTED
CITY OF ROCHESTER

\$ _____

ELECTRIC UTILITY REVENUE BOND, SERIES 2007C

<u>INTEREST</u> <u>RATE</u>	<u>MATURITY</u> <u>DATE</u>	<u>DATE OF</u> <u>ORIGINAL ISSUE</u>	<u>CUSIP</u>
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REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

KNOW ALL BY THESE PRESENTS that the City of Rochester, Olmsted County, Minnesota (the "City"), acknowledges that it is indebted and, for value received, hereby 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 December 1, 2007, at the per annum rate of interest specified above (calculated on the basis of a 360 day year consisting 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 this Bond is payable upon presentation and surrender hereof at the office of the City Finance Director, in Rochester, Minnesota (the "Bond Registrar"), acting as paying agent, or any successor paying agent duly appointed by the City. 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 "Registered Owner") on the registration books of the City 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 that is the Registered Owner hereof as of the Regular Record Date and shall instead be payable to the person that is the Registered Owner 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 registered owners of the Bonds not less than ten days prior to the Special Record Date. The principal of and interest on this Bond are payable in lawful money of the United States of America.

Optional Redemption. All Bonds of this issue maturing after December 1, 2016, are subject to redemption and prepayment at the option of the City on said date and on any date thereafter at a price of par plus accrued interest to date of redemption. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the City shall

select the amount of Bonds of each maturity to be prepaid; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds of that maturity 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. Mailed notice of redemption shall be given to the paying agent and to each affected registered owner of the Bonds at least 30 days but not more than 60 days prior to the redemption date.

Mandatory Redemption. Bonds maturing on _____, _____ and _____ (the "Term Bonds") shall be redeemed by lot on December 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
Term Bond

<u>Year</u>	<u>Principal Amount</u>	
	\$	
(maturity)		

	_____ Term Bond	
<u>Year</u>	<u>Principal Amount</u>	
	\$	
(maturity)		

	_____ Term Bond	
<u>Year</u>	<u>Principal Amount</u>	
	\$	
(maturity)		

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 such 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 such 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 City or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the City or Bond Registrar duly executed by the registered owner thereof or the registered owner's attorney duly authorized in writing) and the City shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the registered owner of such Bond, without service charge, a new Bond or Bonds of the same series having the same stated maturity and interest rate and of any authorized denomination or denominations, as requested by such registered owner, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Issuance; Purpose; Special Obligation; Parity Bonds. This Bond is one of an issue in the total principal amount of \$ _____, all of like date of original issue and tenor, except as to registration number, maturity, interest rate, denomination and redemption privilege, which Bonds have been issued for public purposes pursuant to and in full conformity with the Constitution and laws of the State of Minnesota and the Home Rule Charter of the City and pursuant to a certain resolution adopted by the Common Council, the governing body of the City, on March 5, 2007 (the "Resolution"). The Bonds have been issued for the purpose of providing moneys to advance refund the City's Electric Revenue Bonds, Series 2000 dated December 1, 2000 which mature on December 1, 2011 and thereafter, and to finance improvements to the City's municipal electric utility (the "Electric Utility"). The Bonds are special, revenue obligations of the City, payable solely from a special debt service account described in the Resolution for the purpose of paying the principal of and interest on the Bonds, and the City has in the Resolution pledged to said fund and to the payment of the Bonds certain net revenues of the Electric Utility, but the Bonds do not otherwise constitute indebtedness of the City.

The Bonds are issued on a parity with the unrefunded maturities of the City's Electric Utility Revenue Bonds, Series 2000, the Electric Utility Revenue Bonds, Series 2002A, and the Electric Revenue Note, Series 2005A (together with the Bonds, the "Parity Bonds").

Pursuant to the Resolution, and upon the satisfaction of certain conditions, the City has reserved the right to issue additional bonds on a parity with the Parity Bonds. Reference is hereby made to the Resolution, copies of which are on file at the principal office of the Bond Registrar, for a full statement of the provisions relating to the Parity Bonds and the monies pledged to their payment, the covenants made with respect to the operation and maintenance of the Electric Utility, the terms upon which the City may issue additional bonds on a parity with the Parity Bonds, and the rights and duties of the Bond Registrar.

Events of Default; Remedies. The Resolution sets forth remedies available upon the occurrence of Events of Default specified therein, which may include under certain conditions the appointment of a Bondowners' Trustee and the acceleration of the Parity Bonds and any additional Parity Bonds.

Book Entry Only Form; Blanket Issuer Letter of Representations. Pursuant to the Resolution, the Bonds may be issued in Book Entry Only Form, and during any period in which Bonds are in such form, the provisions applicable to the Bonds pursuant to the Blanket Issuer Letter of Representations shall apply, notwithstanding any contrary or inconsistent provision herein or in the Resolution.

Denominations; Exchange; Resolution. The Bonds are issuable solely as fully registered bonds in the denominations of \$5,000 and integral multiples thereof of a single maturity and are exchangeable for fully registered Bonds of other authorized denominations of \$5,000 and integral multiples thereof of a single maturity 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 Registered Owner in person or by the Registered Owner'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 City contained in any agreement with the Bond Registrar. Thereupon the City 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 City and 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 otherwise provided herein with respect to the Record Date) and for all

other purposes, whether or not this Bond shall be overdue, and neither the City 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 manually executed by the Bond Registrar.

No Designation of Bonds as Qualified Tax-Exempt Obligation. The Bonds have **NOT** been designated by the City as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota and the Home Rule Charter of the City to be done, to have happened 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 that this Bond, together with all other indebtedness of the City outstanding on the date of original issue hereof and on the date of its actual issuance and delivery to the original purchaser, does not exceed any constitutional, statutory or Charter limitation of indebtedness.

IN WITNESS WHEREOF, the City of Rochester, Olmsted County, Minnesota, by its Common Council, has caused this Bond to be executed on its behalf by the facsimile signature of its Mayor and attested by the facsimile signature of its City Clerk; has caused the corporate seal of the City to be intentionally omitted herefrom, as permitted by law; and has caused this Bond to be executed manually by the Bond Registrar, acting as the City's duly appointed authenticating agent for the Bonds.

Date of Registration:

Registrable by:

City Finance Director

Payable at:

Office of the City Finance Director

BOND REGISTRAR'S
CERTIFICATE OF
AUTHENTICATION

CITY OF ROCHESTER, OLMSTED COUNTY,
MINNESOTA

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

Mayor

ATTEST:

CITY FINANCE DIRECTOR
Bond Registrar

City Clerk

By: _____
Authorized Signature

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 _____
(Cust) (Minor)
under the _____ Uniform
(State)
Transfers to Minors Act

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 _____ as 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.)

8. Execution; Temporary Bonds. The Bonds shall be executed and/or attested on behalf of the City by the manual or facsimile signatures of its Mayor and City Clerk and may be sealed with the official seal of the City; provided that the seal of the City may be omitted from the Bonds, as permitted by law. In the event of disability or resignation or other absence of either such officer, the Bonds may be signed by the manual or facsimile signature of that officer who may act on behalf of such absent or disabled officer. In case either such 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, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery. The City may elect to deliver, in lieu of definitive bonds, one or more temporary bonds in substantially the form set forth above, with such changes as may be necessary to reflect more than one maturity in a single temporary bond. Such temporary bonds may be executed with photocopied facsimile signatures of the Mayor and City Clerk. Such temporary bonds shall, upon the preparation of the definitive bonds and the execution thereof, be exchanged therefor and cancelled.

9. 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 and manually executed by 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 City 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 this issuance. The Certificate of Authentication so executed on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution.

10. Registration; Transfer; Exchange. The City 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 City shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration of (as provided in paragraph 9) 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 registered owner, 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 City shall execute (if

necessary), and the Bond Registrar shall authenticate, insert the date of registration of, and deliver the Bonds which the registered owner making the exchange is entitled to receive.

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

All Bonds delivered in exchange for or upon transfer of Bonds shall be valid obligations of the City 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 registered owner thereof or the registered owner'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 City 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.

11. 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.

12. 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 City maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth (15th) 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 (10) days prior to the Special Record Date.

13. Treatment of Registered Owner. The City and Bond Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and interest (subject to the payment provisions in paragraph 12 above) on such Bond and for all other purposes whatsoever, whether or not such Bond shall be overdue, and neither the City nor the Bond Registrar shall be affected by notice to the contrary.

14. Delivery; Application of Proceeds. The Bonds when so prepared and executed shall be delivered by the City 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.

15. Income and Revenue Funds. Pursuant to and as required by Section 11.08 of the City's Home Rule Charter, the City has heretofore established, and shall continue to maintain as long as the Parity Bonds or any additional Parity Bonds (described in paragraph 23) are outstanding, a separate City fund for the Electric Utility (the "Electric Utility Fund"), into which all of the income and revenues from the operation of the Electric Utility are and shall continue to be deposited and segregated from all other City funds.

As used in this Resolution, the term "Gross Revenues" of the Electric Utility means all income and revenue of any nature derived from the operation or use of the Electric Utility, investment earnings on funds held in the Electric Utility Fund (except to the extent explicitly reserved for other purposes in this Resolution) and all other funds specifically declared in this Resolution to constitute Gross Revenues, and the term "Net Revenues" of the Electric Utility means the Gross Revenues minus the Operation and Maintenance Expenses of the Electric Utility (defined in paragraph 15(a) below).

(a) Gross Revenues of the Electric Utility shall first be used to make full and timely payment, when due, of the current "Operation and Maintenance Expenses" of the Electric Utility. As used in this Resolution, the term "Operation and Maintenance Expenses" means the reasonable and necessary costs of operating and maintaining the Electric Utility, including but not limited to salaries, wages, contractual and professional service costs, costs of materials and supplies, insurance and audits, costs of purchasing, producing and delivering electric power and energy, specifically including fuel costs, costs of transmission service, reserve service, interchange service and all other costs of purchased power; provided that Operation and Maintenance Expenses shall not include interest costs, depreciation, accumulations of reserves for capital replacements, capitalized leases or the "contributions in lieu of taxes" paid to the City out of the Electric Utility Fund.

(b) Net Revenues of the Electric Utility in amounts sufficient to pay the principal of and the interest on the Parity Bonds and on any additional Parity Bonds, as and when due, shall next be set aside into the "Electric Utility Revenue Bond Debt Service Account" (the "Debt Service Account") heretofore created as a separate account within the Electric Utility Fund to be held and applied only to the payment of the principal of and interest on the Parity Bonds and on any additional Parity Bonds. Such monies required to be deposited into the Debt Service Account are hereby irrevocably pledged to the payment of the principal of and interest on the Parity Bonds and on any additional Parity Bonds, when due.

(c) Net Revenues in excess of the amounts required to be maintained in the funds and accounts of the Electric Utility under this Resolution are not restricted by the terms hereof and may be used by the City for such other purposes and at such times as may be permitted by law.

It is the express intent and determination of the Council that the amount of the Net Revenues to be set aside and paid into the Debt Service Account (including the Reserve Account therein) shall in any event be sufficient to pay the principal of and interest on the Parity Bonds and on any additional Parity Bonds, when due, and to meet reserve requirements, and the City Finance Director shall from time to time deposit sufficient Net Revenues in said funds for such purposes.

The Debt Service Account shall be used for no purpose other than the payment of interest on and principal of the Parity Bonds and any additional Parity Bonds promptly as the same become due and payable or to pay redemption premiums, if any.

16. Reserve Account; Parity Bond Funding. There has heretofore been created and there shall continuously be maintained a separate subaccount in the Debt Service Account known as the "Reserve Account." The City shall continue to maintain the Reserve Account as a separate and distinct subaccount within the Debt Service Account, and the Reserve Account shall secure the prompt and full payment of the principal of and the interest on the Parity Bonds (and any additional Parity Bonds), but only to the extent that the regular debt service amounts deposited in the Debt Service Account are otherwise insufficient for such purposes.

The Reserve Account shall be maintained at the "Reserve Requirement" described in this paragraph 16. At the time of issuance of the Parity Bonds and any additional Parity Bonds (collectively, the "Secured Bonds"), the City shall cause the Reserve Account to be funded in the amount equal to the smallest of the following:

- (a) The maximum of the unpaid annual debt service requirements of the outstanding Secured Bonds (including those then being issued);
- (b) 125% of the average of the unpaid annual debt service requirements of the outstanding Secured Bonds (including those then being issued); and
- (c) an amount equal to the sum of the Reserve Requirement (if any) just prior to the issuance of additional Secured Bonds plus 10% of the principal amount of the Secured Bonds at the time being issued (or the "issue price" (if the reoffering premium or discount is more than a de minimus amount) determined pursuant to Section 1273 of the Code, but without regard to accrued interest); provided, however,

that pursuant to such instructions and opinions as the City may receive or request from its bond counsel, the Reserve Requirement, and the investment of funds in the Reserve Account, shall be subject to such restrictions and affirmative obligations as shall be necessary in order that none of the Secured Bonds shall (in the absence of compliance with any such restrictions or affirmative obligations) become generally subject to federal income taxation.

The Bonds are being issued on a parity with the unrefunded maturities of the City's Electric Utility Revenue Bonds, Series 2000, dated as of December 1, 2000 ("Series 2000 Bonds"), issued pursuant to Resolution No. 871-00 adopted on December 18, 2000 (the "Series 2000 Bond Resolution"), the Electric Utility Revenue Bonds, Series 2002, dated as of August 1, 2002 (the "Series 2002 Bonds"), issued pursuant to the Council's Resolution No. 871-00, adopted on July 15, 2002 (the "Series 2002 Bond Resolution") and its Electric Revenue Note, Series

2005A dated March 11, 2005 issued pursuant to the Common Council's Resolution adopted on December 20, 2005 (the "Series 2005 Note Resolution"). Pursuant to Paragraph 16 of the Series 2000 Bond Resolution, the Reserve Account was funded in the amount of \$2,471,687.50 as the "Reserve Requirement" for the Series 2000 Bonds. Pursuant to paragraph 16 of the 2002 Bond Resolution, the Reserve Account was funded in the amount of \$1,045,780 as the Reserve Requirement for the Series 2002 Bonds. Pursuant to Paragraph 5.02 of the Series 2005 Note Resolution, the Reserve Account was funded in the amount of \$671,877 as the "Reserve Requirement" for the Series 2005 Note. The Bonds are being issued on a parity with the unrefunded portion of the Series 2000 Bonds, and the Series 2002 Bonds and Series 2005 Note pursuant to the Series 2000 Bond Resolution, the 2002 Bond Resolution, and the Series 2005 Note Resolution, including without limitation paragraphs 22, 23 and 6.04 thereof; and, as the context typically requires herein, references to Parity Bonds include the unrefunded portion of the Series 2000 Bonds, and the Series 2002 Bonds and the Series 2005 Note. Accordingly, in order to increase the Reserve Account to its required funding level in respect of the issuance of the Bonds as such Parity Bonds with the unrefunded portion of the Series 2000 Bonds, the Series 2002 Bonds and Series 2005 Note the City will deposit an additional amount in the Reserve Account so that the "Reserve Requirement" is properly funded for the Bonds. The dollar amount of the "Reserve Requirement" Bonds will be determined prior to their issuance.

In this section, references to provisions of the Code shall be to the then-applicable provisions of the Internal Revenue Code of 1986, as amended, supplemented or superseded, and to the regulations, rulings and decisions thereunder relating to tax-exempt obligations.

If an entire issue of Secured Bonds shall have been paid in full in accordance with its terms, or if any obligation under any Secured Bond shall have been defeased within the meaning of paragraph 43 of this Resolution, the Reserve Requirement shall be reduced to that level thereof which would apply had said issue of Secured Bonds, or said obligation of that Secured Bond, as the case may be, never been issued; provided, however, that any such reduction shall be subject to the condition that there shall not at the time be a default continuing with respect to the payment of or security for any Secured Bond or a default continuing under any resolution, indenture or other document pursuant to which any Secured Bonds were issued.

The City shall maintain the Reserve Account not in excess of the Reserve Requirement(s) that may apply from time to time and the City shall promptly withdraw from the Reserve Account any amounts which are in excess thereof (including all earnings, as and when received, on investments of monies in the Reserve Account); provided that the City hereby covenants and agrees that at any time that the Reserve Account shall be funded at a level less than the applicable Reserve Requirement, the City shall retain all such earnings in the Reserve Account and shall promptly pay such monies into the Reserve Account from the first available Net Revenues as shall be sufficient to restore such deficiency.

The City may deposit a letter of credit, surety bond, insurance policy or comparable instrument (collectively, a "Credit Facility") in the Reserve Account in lieu of cash, or to replace an existing Credit Facility held in the Reserve Account, either at the time a series of Additional Parity Bonds are originally issued, or at any other time, subject to the following conditions:

- 1. The proceeds of such Credit Facility must be available for the purposes and at the times required for the purposes of the Reserve Account;**
- 2. The issuer of the Credit Facility must have a long term debt or claims paying rating at least as high as the highest rating on any of the outstanding Parity Bonds but not lower than one of the two highest rating categories of any national rating agency then rating any outstanding Parity Bonds.**
- 3. In calculating whether the amount then held in the Reserve Account is equal to the Reserve Requirement, each Credit Facility held therein shall be valued at its stated amount, or, if less, the amount which remains available thereunder;**
- 4. The substitution of the Credit Facility for cash, or an existing Credit Facility held in the Reserve Account, must not result in a lowering of the ratings then in effect for any outstanding Parity Bonds; and**
- 5. The City (or any fiduciary holding the Credit Facility for the benefit of all outstanding Parity Bonds) shall be entitled and obligated to draw upon the Credit Facility at least 15 days prior to its expiration or termination date if (i) as a result of such expiration or termination the amount remaining in the Reserve Account would be less than the Reserve Requirement and (ii) the Credit Facility is a letter of credit and after such expiration or termination date any Parity Bonds remain outstanding.**

17. Construction Account; Certain Investment Restrictions. To the Construction Account, which shall be an account within the Electric Utility Fund hereby established for the Bonds separate and apart from all other funds and accounts of the City, there shall be credited the proceeds of the sale of the Bonds, less any amount deposited in the Escrow Account and the Reserve Account, plus earnings on funds invested while on deposit in the Construction Account. From the Construction Account there shall be paid all costs and expenses of issuing the Bonds making the Improvements, and the moneys in said account shall be used for no other purpose except as otherwise provided by law. Upon completion of the Improvements and payment of the costs thereof, any balance shall be transferred to the Debt Service Account.

18. Escrow Account. The Escrow Account shall be maintained as an escrow account with _____, in _____ **Wells Fargo Bank, National Association, in Minneapolis,** Minnesota (the "Escrow Agent"), 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. The proceeds of the sale of the Bonds received by the Escrow Agent pursuant to the Escrow Agreement shall be applied in accordance with the provisions of the Escrow Agreement to refund the Refunded Bonds. 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 principal and interest on the Refunded Bonds. The Escrow Account shall be irrevocably appropriated to the payment of the foregoing amounts. 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 City, all in accordance with an agreement (the "Escrow Agreement") by and between the City and Escrow Agent, a form of which agreement is on file in the office of the City Clerk. Any moneys remitted to the City upon termination of the Escrow Agreement shall be deposited in the Debt Service Account.

19. Investment Restrictions. 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 for an available and reasonable "temporary period" until such proceeds are needed for the purpose for which the Bonds were issued, and for any available "minor portion." To this effect, any proceeds of the Bonds and any sums from time to time held in the Construction Account, Escrow Account or Debt Service Account (or any other City account which will be used to pay principal of or interest on the Bonds) in excess of amounts which under then-applicable federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by the arbitrage regulations on such investments, after taking into account any applicable "temporary periods" or "minor portion" under the federal arbitrage regulations. In addition, the proceeds of the Bonds and the monies in the above referenced funds and accounts 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 Internal Revenue Code of 1986, as amended, and the regulations, rulings and decisions thereunder (the "Code").

20. Operation of System; City Covenants. The City covenants and agrees with the registered owners of the Bonds that:

(a) The City will faithfully and punctually perform all duties with reference to the Electric Utility required by the Constitution and laws of the State of Minnesota and the Home Rule Charter of the City, including the making and collecting of reasonable and sufficient rates lawfully established for services rendered by the Electric Utility, and the City will segregate and apply the revenues of the Electric Utility as provided herein;

(b) The City will not mortgage, sell, lease, or in any manner dispose of the Electric Utility, including any part thereof or any additions or extensions that may be made part thereto, except that the City shall have the right to sell, lease or otherwise dispose of any property of the Electric Utility found by the City to be neither necessary nor useful in the operation of the Electric Utility, provided the proceeds received from such sale, lease or disposal shall be applied to the acquisition or construction of such capital facilities as the City may reasonably determine to be necessary for the normal operation of the Electric Utility and, to the extent not needed for said purposes, such proceeds shall be treated as Gross Revenues of the Electric Utility;

(c) The City will pay or cause to be paid all lawful taxes, assessments, governmental charges, and claims for labor, materials or supplies which if unpaid could

become a lien upon the Electric Utility or its revenues or could impair the security of the Bonds;

(d) The City will continue to operate the Electric Utility, will maintain it in good repair and condition and will establish, charge and collect such lawfully established rates and charges for the service rendered by the Electric Utility so that (1) the annual Net Revenues shall not be less than 120% of the average of the unpaid annual debt service requirements of the outstanding Bonds and any additional Parity Bonds; and (2) the Net Revenues of the Electric Utility herein agreed to be set aside to provide for the prompt and full payment, when due, of the principal of and interest on the Bonds and any additional Parity Bonds will be sufficient for such purposes (and will also be sufficient to restore any deficiency in the Reserve Account);

(e) The City will cause a budget for the Electric Utility to be prepared at least annually, and, in the event such budget indicates that Net Revenues for each year will not exceed debt service for each corresponding year by the proportion stated hereunder, the City will take any and all steps permitted by law to increase rates so that the aforementioned proportion of Net Revenues to debt service shall be accomplished as promptly as possible; and

(f) The City will proceed with due diligence to obtain and retain in effect all state, federal and/or local permits, licenses, and/or other approvals necessary for the City's ownership, construction, maintenance and continued operation of the Electric Utility, including without limitation the Improvements.

21. Books and Accounts; Inspection. The City will keep proper books and accounts relative to the Electric Utility separate from all other records of the City and will cause such books and accounts to be audited annually by a recognized independent firm of certified public accountants, including a balance sheet and a profit and loss statement of the Electric Utility as certified by such accountants. Each such audit, in addition to whatever matters may be deemed proper by the accountants to be included therein, shall include a statement in detail of the revenues and expenditures of the Electric Utility for the fiscal year and a balance sheet as of the end of such fiscal year.

The registered owners of the Bonds shall have at all reasonable times the right to inspect the Electric Utility and the records, accounts, accountants' reports and data of the City relating thereto.

22. Insurance. So long as any of the Bonds are outstanding the City will cause to be carried (a) adequate and customary casualty insurance on the Electric Utility; (b) adequate and customary insurance against loss of use and occupancy resulting from such casualties; (c) adequate and customary public liability insurance; and (d) insurance of the kinds and in the amounts normally carried by municipal utilities engaged in the operation of similar systems. All monies received for loss of use and occupancy shall be considered Gross Revenues of the Electric Utility. All money received for losses under any of such casualty policies, except those specified in (b) above, shall be used to the extent needed in repairing the damage or in replacing the property destroyed; provided that if the City shall find that it is inadvisable to repair such

damage or replace such property and that the operation of the Electric Utility has not been impaired thereby, such money shall also be considered Gross Revenues of the Electric Utility.

23. Additional Bonds; Additional Parity Bonds. No bonds or obligations payable out of the revenues of the Electric Utility may be issued in such manner as to enjoy priority over the Parity Bonds. Additional obligations may be issued if their lien and pledge is junior and subordinate to that of the Parity Bonds. Additional obligations may be issued on a parity as to pledge and lien with the Parity Bonds (such additional parity obligations being sometimes collectively referred to in this Resolution as "Additional Parity Bonds") if all of the following conditions are met:

(a) The annual average of the Net Revenues of the Electric Utility for the two fiscal years immediately preceding the issuance of such Additional Parity Bonds shall not have been less than 115% of the average of the unpaid annual debt service requirements on the outstanding Parity Bonds and any Additional Parity Bonds (including those to be issued).

(b) The payments required to be made into the funds enumerated in paragraphs 15 and 16 of this Resolution (including the Reserve Account) must have been provided for.

(c) The Additional Parity Bonds must have principal maturing on December 1 of each year and interest falling due on June 1 and December 1 of each year.

(d) The proceeds of the Additional Parity Bonds must be used for providing extensions or improvements to the Electric Utility or refunding obligations issued for such purpose.

For the purpose of determining the Net Revenues for the last two Fiscal YearYears immediately preceding the date of issuance of Additional Parity Bonds, the amount of Net Revenues of the ~~Public~~Electric Utility may be adjusted by a consulting engineer experienced in public power rate structures or by an independent certified public accountant retained by the Board to reflect any changes in the amount of the Net Revenues which would have resulted if (i) any revision in the schedule of rates and charges in effect at the time of issuance of such additional obligations had been in effect for the full last two Fiscal YearYears, and (ii) any new customers added to the ~~Public~~Electric Utilities on or before the date of issuance of any Additional Parity Bonds had been connected to the ~~Public~~Electric Utilities for the full last two Fiscal YearYears, provided however that if the Net Revenues are so adjusted for such additional customers, the Net Revenues shall also be adjusted by deducting from Gross Revenues the increased Operation and Maintenance Expenses which would have resulted from servicing such additional customers for that full last two Fiscal YearYears. In addition, in computing Net Revenues, the Operation and Maintenance Expenses may be adjusted to reflect: (i) any changes to contracts with a public power agency in effect at the date of issuance of any Additional ~~parity~~Parity Bonds which affects the costs of purchasing power as if such contract had been in effect for the full last two Fiscal YearYears, and (ii) any reduction in the base load energy costs or savings in the cost of purchasing power which would have been affected if the improvements and extensions then to be constructed had been in operation during the preceding ~~year~~two years;

and the Net Revenues may be increased by any additional increase in Net Revenues expected to occur during the first calendar or Fiscal Year of operation of the improvements and extensions then to be constructed from the sale of surplus power resulting from the addition to the **Public 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.

As noted in paragraph 16 of this Resolution, the Bonds are being issued on a parity with the unrefunded portion of the Series 2000 Bonds, and the Series 2002 Bonds and the Series 2005 Note, and the Council determines that all conditions precedent thereto provided in paragraphs 22, 23 and 6.04 of the Series 2000 Bond Resolution, Series 2002 Bond Resolution and the Series 2005 Note Resolution respectively shall, in connection with the issuance of the Bonds, have been satisfied. As the context may typically require herein, references to "Parity Bonds" include the Bonds and the Series 2000, the Series 2002 Bonds and Series 2005 Note.

Upon payment or defeasance of the Series 2000 Bonds and Series 2002 Bonds, any Parity Bonds that bear interest at a variable rate shall, for purposes of meeting the requirements of this Section 23 be deemed to bear interest at the average interest rate such variable rate bonds bore for the last 12 months, unless any rating agency requires a higher interest rate in order to maintain the ratings on the Outstanding Parity Bonds and the additional Parity Bonds to be issued.

24. Events of Default; Remedies.

Events of Default. Each of the following events is an "Event of Default" under this Resolution:

(a) Default by the City in the due and punctual payment of the principal of or premium, if any, on any Parity Bond (whether at maturity, upon acceleration, upon call for redemption, or otherwise);

(b) Default by the City in the due and punctual payment of the interest on any Parity Bond;

(c) Failure of the City to observe and perform any of its other covenants, conditions or agreements under this Resolution or in the resolutions authorizing the Parity Bonds for a period of 90 days after written notice from the Bondowners' Trustee or (whether or not a Bondowners' Trustee has been appointed) from the owners of 25% in aggregate principal amount of the Parity Bonds then outstanding, with said notice specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90-day period, failure of the City to proceed promptly to take such steps as may be required to effect a cure and thereafter to prosecute the curing of such default with due diligence;

(d) (i) Failure of the City generally to pay its debts as the same become due, (ii) commencement by the City of a voluntary case under the United States bankruptcy laws, as now or hereafter constituted, or any other applicable United States or state

bankruptcy, insolvency or other similar law, or (iii) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, the Electric Utility or any substantial part of the City's property, or to the taking possession by any such official of the Electric Utility or any substantial part of the City's property;

(e) The entry of any (i) decree or order for relief by a court having jurisdiction over the City or its property in an involuntary case under the United States bankruptcy laws, as now or hereafter constituted, or any other applicable United States or state bankruptcy, insolvency or other similar law, (ii) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the Electric Utility or any substantial part of the City's property, or (iii) order for the termination or liquidation of the City or its affairs; or

(f) Failure of the City within 90 days after the commencement of any proceedings against it under the United States bankruptcy laws, as now or hereafter constituted, or any other applicable United States or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

Appointment of Bondowners' Trustee. Upon the occurrence and continuation of an Event of Default, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the owners of not less than 25% in aggregate amount of the Parity Bonds then outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such owners or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, with notification thereof being given to the City. Such appointment will become effective immediately upon acceptance thereof by the Bondowners' Trustee. The Bondowners' Trustee shall be an association or corporation organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$75,000,000 and shall be subject to supervision or examination by federal or state authority.

In the event that any Event of Default, in the sole judgment of the Bondowners' Trustee, is cured and the Bondowners' Trustee furnishes to the City a certificate so stating, that Event of Default will be conclusively deemed to be cured and the City, the Bondowners' Trustee and the owners of the Parity Bonds will be restored to the same rights, powers and position which they would have held if no Event of Default had occurred.

Acceleration. Upon the occurrence and continuation of an Event of Default specified in subsections (a), (b), (d), (e) or (f) above, the Bondowners' Trustee or, if there is none, the owners of 25% in aggregate amount of the Parity Bonds then outstanding may, by written notice to the City, declare the entire unpaid principal of the Parity Bonds due and payable and, thereupon, the entire unpaid principal of the Parity Bonds will forthwith become due and payable. Upon any such declaration the City will forthwith pay to the owners of the Parity Bonds the entire unpaid principal and premium, if any, and accrued interest on the Parity Bonds, but only from Net Revenues and other moneys specifically pledged in this Resolution for such purpose. If at any time after such declaration and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of

the enforcement of any other remedy under this Resolution, the principal of all Parity Bonds that have matured or been called for redemption pursuant to any mandatory sinking fund redemption provision and all arrears of interest have been paid and any other Events of Default which may have occurred have been remedied, then the Bondowners' Trustee or, if there is none, the owners of 25% in aggregate amount of the Parity Bonds then outstanding may, by written notice to the City, rescind or annul such declaration and its consequences. No such rescission or annulment will extend to or affect any subsequent default or impair any right consequent thereon.

Actions by Bondowners' Trustee. Any action, suit or other proceedings instituted by the Bondowners' Trustee under this Resolution must be brought in its name as trustee for the owners of the Parity Bonds, without the necessity of joining the owners of the Parity Bonds as parties thereto, and all such rights of action upon or under any of the Parity Bonds or the provisions of this Resolution may be enforced by the Bondowners' Trustee without the possession of any of the Parity Bonds and without the production of the same at any trial or proceedings relative thereto, except where otherwise required by law. Any such suit, action or proceeding instituted by the Bondowners' Trustee will be brought for the ratable benefit of all of the owners of the Parity Bonds, subject to the provisions of this Resolution. The respective owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective owners of those Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the owners might have done on their own behalf. Nothing in this Resolution shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any owners of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any owners thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

Application of Money Collected by Bondowners' Trustee. Any money collected by the Bondowners' Trustee at any time pursuant to this Resolution will be applied in the following order of priority: (a) First, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and (b) Second, to the payment to the persons entitled thereto of all installments of interest then due on the Parity Bonds in the order of the due dates of such installments and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and (c) Third, to the payment to the persons entitled thereto of the unpaid principal of any Parity Bonds which will have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions of this Resolution), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available will not be sufficient to pay in full the principal due on the same date, then to the payment thereof ratably, according to the principal due thereon to the persons entitled thereto, without any discrimination or preference.

Other Remedies; Restrictions Thereon. Upon the occurrence and continuation of an Event of Default, the Bondowners' Trustee may, and upon the written request of the owners of not less than 25% in aggregate amount of the Parity Bonds then outstanding, shall proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any covenant or agreement contained in the this Resolution.

Nothing in this Resolution shall affect or impair the right of any owner of Parity Bonds to enforce, by action at law or in equity, payment, when due, of the principal of premium, if any, or interest on any Bond owned by said owner.

If an Event of Default shall have occurred and be continuing, and if there shall have been appointed a Bondowners' Trustee, no owner of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity respecting said Event of Default (except insofar as the same pertains to an Event of Default described in (a) or (b) above respecting said owner's Parity Bonds) unless (a) such owner shall previously have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is proposed to be instituted; and (b) the owners of 25% in aggregate amount of the Parity Bonds then outstanding, after the occurrence of such Event of Default, have made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and (c) there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (d) the Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

25. **Limitation; Bonds not Debt.** The Bonds shall not constitute in any manner indebtedness, bonds or certificates of indebtedness of the City within the meaning of any provision of state law limiting the amount or method of incurring such indebtedness, and shall be payable solely from the Net Revenues of the Electric Utility which are pledged and appropriated for that purpose in this Resolution, and the taxing powers of the City are not pledged in any manner for the payment thereof, except as may be needed for the payment of reasonable charges for Electric Utility service and benefits rendered and available to the City.

26. **Competing Service.** To the extent permitted by law, the City will not grant a franchise for, establish or authorize the establishment of any other system for the public supply of service or services in competition with any or all of the services supplied by the Electric Utility.

27. **Payment Frequency Covenant.** In the event any Parity Bond or Additional Parity Bond requires that principal or interest be paid on dates other than, or more frequently than those dates allowed under Section 23 hereof, the City shall irrevocably transfer to the Debt Service Account established for any other outstanding Parity Bonds, the amount of principal or interest that would have been due on such other Parity Bonds if the principal or interest, as the case may be, of the other Parity Bonds were payable on the same dates.

28. **Refunding Bonds.** In addition to Parity Bonds authorized by Section 23, the City reserves the right to issue one or more series of additional Parity Bonds to refund any or all of

the Bonds then outstanding. Any Additional Bonds issued for refunding purposes may be made payable from the Net Revenues on a parity as to principal and interest with all then outstanding Parity Bonds, provided that either (1) the aggregate debt service is reduced or (2) both (a) the maturity of each refunding revenue bond shall be subsequent to the last maturity of any then outstanding Parity Bonds which are not refunded or otherwise discharged in accordance with Section 43 hereof, and (b) no bondholder shall be required to accept a refunding revenue bond in exchange for any Bond owned by the bondholder. Until the discharge of the unrefunded Series 2000 Bonds and the Series 2002 Bonds, the issuance of any refunding bonds under this Section 28 must also satisfy the requirements of Paragraph 22 of the Series 2000 Bond Resolution and paragraph 23 of the Series 2002 Resolution.

29. Subordinate Lien Bonds. Nothing contained in this Resolution or in the Bonds shall be construed to preclude the City from issuing additional bonds when necessary for the enlargement, improvement or extension of the Electric Utility; provided such additional bonds, whether constituting a general obligation of the City or payable solely from revenues of the Electric Utility, are expressly made a charge on and are payable only from amounts described in Section 15(c) hereof, and are not superior to or on a parity with the Parity Bonds payable from the Debt Service Account.

30. Amendments Without Bondholder Consent. The City reserves the right to amend this Resolution from time to time and at any time, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or of making such provision with regard to matters or questions arising hereunder as the Common Council may deem necessary or desirable and not inconsistent with this Resolution, and which shall not adversely affect the interests of the holder of the Bonds issued hereunder, or for the purpose of adding to the covenants and agreements herein contained, or to the Gross Revenues herein pledged, other covenants and agreements thereafter to be observed and additional Gross Revenues thereafter appropriated to the Electric Fund, for the purpose of surrendering any right or power herein reserved to or conferred upon the City or for the purpose of authorizing the issuance of Additional Bonds in the manner and subject to the terms and conditions prescribed in Sections 23, 28 or 29. Any such amendment may be adopted by resolution, without the consent of the holder of any of the Bonds.

31. Amendments With Bondholder Consent. With the consent of the holder of the Bonds as provided in Section 32, the City may from time to time and at any time amend this Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions hereof, or of any amending resolution, except that no amendment shall be adopted at any time without the consent of the holder of the Bonds, if it would extend the maturity of the Bonds, would reduce the rate or extend the time of payment of interest thereon, would reduce the amount or extend the time of payment of the principal thereof, would give to any Parity Bond or Bonds any privileges over any other Parity Bond or Bonds, would reduce the sources of Gross Revenues appropriated to the Electric Fund, would authorize the creation of a pledge of said Gross Revenues prior to or on a parity with the Parity Bonds (except as is authorized by Sections 23, 28 or 29), or would reduce the percentage in principal amount of Bonds required to authorize or consent to any such amendment.

32. Notice and Consent. Any amendment adopted pursuant to Section 31 shall be made by resolution duly adopted and shall become effective only upon the filing of written consents with the Finance Director, signed by the holders of not less than a majority in principal amount of the Bonds then outstanding or, in the case of an amendment not affecting all outstanding Bonds, by the holders of not less than a majority in aggregate principal amount of the Bonds affected by such amendment. Any written consent to an amendment may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by bondholders in person or by agent duly appointed in writing, and shall become effective when delivered to the Finance Director. Any consent by the holder of any Bond shall bind the holder and every future holder of the same Bond with respect to any amendment adopted by the City pursuant to such consent.

33. Proof. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any person of Bonds, shall be sufficient for any purpose of this resolution and shall be conclusive in favor of the City if made in the manner provided in this Section 33. The fact and date of the execution by any person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the person signing it acknowledged the execution thereof. The amount of Bonds held by any person by or for whom a consent is given, and the distinguishing numbers of such Bonds, and the date of the holder's holding the same, shall be proved by the bond register. The fact and date of execution of any such consent and the amount and distinguishing numbers of Bonds held by the person executing the same may also be proved in any other manner which the City may deem sufficient; but the City may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable.

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

35. Negative Covenant as to Use of Proceeds and Improvements. The City hereby covenants not to use the Electric Utility or to cause or permit the Electric Utility to be used, or to enter into any deferred payment arrangements for the cost of the Improvements, in such a manner as (or to take any action or permit any other circumstance to exist or any action to be taken, the effect to which would be) to cause the Bonds to be "private activity bonds" within the meaning of Sections 103 and 141 through 150 of the Code, and Treasury Regulations and Rulings hereunder. In particular, but without limitation, the City covenants to forebear the implementation, effectuation or enforcement of any and all contracts or other agreements respecting the Electric Utility or any property benefitted thereby or assessed with respect thereto, which it may now or in the future have with developers, contractors, owners or any other person or parties to the extent that such implementation, effectuation or enforcement would (individually or in the aggregate) cause the Bonds to become such "private activity bonds," and

to said limited extent the City would and hereby does (solely for the benefit of the owners of the Bonds) disavow any and all such provisions, entitlements and enforcements which would or could become so offending.

Without limitation of the foregoing, the City shall not enter into any use agreement, management or operation contract or other agreement respecting the Electric Utility which would adversely affect the exemption from federal income tax of the interest on the Bonds, taking into account and observing the requirements of Revenue Procedure 97-13 of the Internal Revenue Service and any similar or other applicable revenue procedures or guidelines relating to management contracts and service contracts involving facilities financed with tax-exempt obligations.

36. Tax-Exempt Status of the Bonds; Rebate. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Bonds, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the Bonds, and (3) the rebate of excess investment earnings to the United States, if and to the extent applicable. The City may avail itself of such other exceptions to arbitrage rebate as may under the Code be applicable to the Bonds, in whole or in part.

37. No Designation of the Bonds as Qualified Tax-Exempt Obligations. The Bonds are not being designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

38. Securities; Escrow Agent. 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 Bonds. The Common Council has investigated the facts and hereby finds and determines that the Escrow Agent is a suitable financial institution to act as escrow agent.

39. Escrow Agreement. On or prior to the delivery of the Bonds the Mayor and Administrator shall, and are hereby authorized and directed to, execute on behalf of the City an Escrow Agreement. The Escrow Agreement is hereby approved and adopted and made a part of this resolution, and the City covenants that it will promptly enforce all provisions thereof in the event of default thereunder by the Escrow Agent.

40. Purchase of SLGS or Open Market Securities. Springsted Incorporated, as agent for the Council, is hereby authorized and directed to purchase on behalf of the Council and in its name the appropriate United States Treasury Securities, State and Local Government Series and/or open market securities from Bond proceeds 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.

41. Redemption of Prior Bonds. The Series 2000 Bonds shall be redeemed and prepaid in accordance with the terms and conditions set forth in the Notice of Call for Redemption 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.

42. Prior Bonds Security. Until retirement of the Series 2000 Bonds, all provisions theretofore made for the security thereof shall be observed by the City and all of its officers and agents.

43. Defeasance. When any obligation of a Bond has been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this Resolution to the registered owner of that Bond (with respect to the obligation thereof so defeased) shall, to the extent permitted by law, cease. The City may at any time discharge any or all of such obligation(s) with respect to any Bond, subject to the provisions of law now or hereafter authorizing or regulating such action, by depositing irrevocably in escrow, with a suitable institution qualified by law as an escrow agent for this purpose, cash or securities which are backed by the full faith and credit of the United States of America, or any other security authorized under Minnesota law for such purpose, bearing interest payable at such times and at such rates and maturing on such dates and in such amounts as shall be required and sufficient, subject to sale and/or reinvestment in like securities, to pay said obligation(s), which may include any interest payment on such Bond and/or principal amount due thereon at a stated maturity (or if irrevocable provision shall have been made for permitted prior redemption of such principal amount, at such earlier redemption date).

44. Compliance With Reimbursement Bond Regulations. With respect to the Improvements, the City has complied and will continue to comply with the "Reimbursement Regulations" provided in United States Treasury Regulations Section 1.150-2. In particular, except where the following may not be required by said Regulations (e.g., with respect to certain "preliminary expenditures"), to the extent that any of the proceeds of the Bonds will be used to reimburse the City for a cost of the Improvements theretofore paid and temporarily financed by the City out of other City funds, prior to the initial payment thereof (or within applicable time limits thereafter) the City has made or will have made a duly qualifying statement of its official intent to bond for such costs (and the City will also make the written "reimbursement allocation" required by the Reimbursement Regulations); otherwise, the proceeds of the Bonds are to be used for initial payment, and not for such reimbursement, of costs of the Improvements.

45. Continuing Disclosure Undertaking. With respect to the continuing disclosure requirements under Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission, on the date of actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking (the "Undertaking") whereunder the City will covenant to provide certain information specified in the Undertaking. The proposed form of the Undertaking which has been submitted to the City for the Council's consideration is hereby approved, and the officers of the City are hereby authorized to execute and deliver that Undertaking in the proposed form or in such final form thereof reflecting such modifications thereof as are consistent with the Rule, requested by the original purchaser of the Bonds and acceptable to the City officials who shall execute the Undertaking (which consent shall be

conclusively evidenced by their execution and delivery thereof). The Undertaking, as so executed and delivered by the City, shall be as much a part of this Resolution as if set forth in full herein and shall be for the benefit of the owners from time to time of the Bonds.

46. 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.

47. 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.

PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF ROCHESTER, MINNESOTA, THIS 5th DAY OF MARCH, 2007.

PRESIDENT OF SAID COMMON COUNCIL

ATTEST:

CITY CLERK

Approved this 5th day of March, 2007

MAYOR OF SAID CITY

(Seal of the City of
Rochester, Minnesota)

CERTIFICATION

I, the undersigned City Clerk of the City of Rochester, Minnesota, do hereby certify the following:

The foregoing is true and correct copy of a Resolution on file and of record in the offices of the City, which Resolution relates to the issuance by the City of its Electric Utility Revenue Bonds, Series 2007C. Said Resolution was duly adopted by the Rochester Common Council at a regular or special meeting of the Council held on March 5, 2007. Said meeting was duly called and regularly held and was open to the public and was held at the place at which meetings of the Council are regularly held, a quorum of the Council being present and acting throughout. Councilmember _____ moved the adoption of the Resolution, which motion was seconded by Councilmember _____. A vote being taken on the motion, the following members of the Council voted in favor of the Resolution:

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted. The Resolution is in full force and effect and no action has been taken by the Council which would in any way alter or amend the Resolution.

WITNESS MY HAND officially as the City Clerk of the City of Rochester, Minnesota, this _____ day of _____, 2007.

City Clerk
City of Rochester, Minnesota

(SEAL)