

CITY OF LAKE ELMO  
WASHINGTON COUNTY, MINNESOTA

RESOLUTION 2005-074

RESOLUTION AUTHORIZING ISSUANCE; AWARDING THE SALE;  
PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR  
THE PAYMENT OF \$4,600,000 GENERAL OBLIGATION WATER  
REVENUE BONDS, SERIES 2005A

BE IT RESOLVED by the City Council of the City of Lake Elmo, Minnesota (the "City"), as follows:

SECTION 1. AUTHORIZATION AND SALE OF BONDS.

1.01. Authorization. The City owns and operates a municipal water enterprise system (the "Utility"). This Council intends to construct public infrastructure improvements to the Utility (collectively, the "Improvements"). This Council hereby determines that it is in the best interests of the City to issue its \$4,600,000 aggregate principal amount of General Obligation Water Revenue Bonds, Series 2005A (the "Bonds") to finance the cost of making the Improvements pursuant to Minnesota Statutes, Section 444.075 and Chapter 475.

1.02. Sale. The City has retained Sound Capital Management, Inc. as independent financial advisor in connection with the sale of the Bonds. Pursuant to Minnesota Statutes, Section 475.60, subdivision 2, paragraph (9), the requirements as to public sale do not apply to the issuance of the Bonds. The City has received an offer from Northland Securities, Inc., in Minneapolis, Minnesota (the Purchaser) to purchase the Bonds at a price of \$ \_\_\_\_\_ plus accrued interest on all Bonds to the day of delivery and payment, on the further terms and conditions hereinafter set forth. The offer is hereby accepted, and the Mayor and City Administrator are hereby authorized and directed to execute a contract on the part of the City for the sale of the Bonds with the Purchaser.

1.03. Performance of Requirements. The City is authorized by Minnesota Statutes, Section 444.075, to issue and sell the Bonds to pay the costs of the Improvements, and to pledge to the payment of the Bonds net revenues to be derived from charges for the service, use and availability of the Utility. The City presently has outstanding obligations which constitute a lien on the net revenues of the Utility and the pledge of net revenues of the Utility to pay the Bonds should be on a parity with the pledge of net revenues of the Utility to pay such outstanding bonds. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Bonds having been done, existing, having happened and having been performed, it is now necessary for this Council to establish the form and terms of the Bonds, to provide security therefor and to issue the Bonds forthwith.

CERTIFICATION OF MINUTES RELATING TO  
\$4,600,000 GENERAL OBLIGATION WATER  
REVENUE BONDS, SERIES 2005A

Issuer: City of Lake Elmo, Minnesota

Governing Body: City Council

Kind, date, time and place of meeting: A regular meeting held on July 19, 2005, at 7:00 p.m. at the City Offices in Lake Elmo, Minnesota.

Members present: Mayor Johnston, Council Members Conlin, DeLapp, Johnson, Smith

Members absent: None

Documents Attached:  
Minutes of said meeting (including):

RESOLUTION AUTHORIZING ISSUANCE; AWARDING THE SALE;  
PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR  
THE PAYMENT OF \$4,600,000 GENERAL OBLIGATION WATER  
REVENUE BONDS, SERIES 2005A

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the obligations referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of the public corporation in my legal custody, from which they have been transcribed; that the documents are a correct and complete transcript of the minutes of a meeting of the governing body of the public corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at the meeting, so far as they relate to the obligations; and that the meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer on July 19, 2005.

  
City Administrator

SECTION 2. BOND TERMS, EXECUTION AND DELIVERY.

2.01. Maturities, Interest Rates, Denominations, and Payment. The Bonds shall be originally dated as of August 1, 2005, shall be in the denomination of \$5,000 each, or any integral multiple thereof, of single maturities, shall mature on December 1 in the years and amounts stated below, and shall bear interest from date of issue until paid at the annual rates set forth opposite such years and amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2006	\$175,000	%	2019	\$175,000	%
2007	175,000		2020	175,000	
2008	50,000		2021	175,000	
2013	125,000		2022	250,000	
2014	150,000		2023	275,000	
2015	150,000		2024	275,000	
2016	150,000		2025	300,000	
2017	150,000		2026	300,000	
2018	175,000		2027	325,000	
			2028	350,000	

[REVISE MATURITY SCHEDULE FOR ANY TERM BONDS]

For purposes of complying with the provisions of Minnesota Statutes, Section 475.54, subdivision 1, the maturity schedule for the Bonds shall be combined with the maturity schedules for the City's outstanding \_\_\_\_\_ Bonds.

The Bonds shall be issuable only in fully registered form, of single maturities. The interest thereon and, upon surrender of each Bond at the principal office of the Registrar described herein, the principal amount thereof, shall be payable by check or draft issued by the Registrar. Each Bond shall be dated by the Registrar as of the date of its authentication.

2.02. Interest Payment Dates. Interest on the Bonds shall be payable on June 1 and December 1 in each year, commencing June 1, 2006, to the owners thereof as such appear of record in the bond register as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.

2.03. Registration. The City shall appoint, and shall maintain, a bond registrar, transfer agent and paying agent (the Registrar). The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal office a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender to the Registrar for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until such interest payment date.

(c) Exchange of Bonds. Whenever any Bond is surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount, interest rate and maturity, as requested by the registered owner or the owner's attorney duly authorized in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the City upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Bonds (except for an exchange upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be lost, stolen or destroyed, the Registrar shall deliver a new Bond of like amount, number, interest rate, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond lost, stolen or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond lost, stolen or destroyed, upon receipt by the Registrar of evidence satisfactory

to it that such Bond was lost, stolen or destroyed, and of the ownership thereof, and upon receipt by the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City. If the mutilated, lost, stolen or destroyed Bond has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

(i) Authenticating Agent. The Registrar is hereby designated authenticating agent for the Bonds, within the meaning of Minnesota Statutes, Section 475.55, Subdivision 1.

2.04. Appointment of Initial Registrar. The City hereby appoints Northland Trust Services, Inc., in Minneapolis, Minnesota, as the initial bond registrar, transfer agent and paying agent (the Registrar). The Mayor and City Administrator are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove any Registrar upon thirty (30) days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar. On or before each principal or interest due date, without further order of this Council, the City Administrator shall transmit to the Registrar from the 2005 Utility Bond Fund described in Section 3 hereof, moneys sufficient for the payment of all principal and interest then due.

2.05. Redemption. Bonds maturing in 2014 and later years are each subject to redemption, at the option of the City and in whole or in part, and if in part, in the maturities selected by the City and, within any maturity, in \$5,000 principal amounts selected by the Registrar by lot, on or after December 1, 2013 and on any interest payment date thereafter, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption. At least thirty days prior to the date set for redemption of any Bond, the City shall cause notice of the call for redemption to be mailed to the Registrar and to the registered owner of each Bond to be redeemed, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. The notice of redemption shall specify the redemption date, redemption price, the numbers, interest rates and CUSIP numbers of the Bonds to be redeemed and the place at which the Bonds are to be surrendered for payment, which is the principal office of the Registrar. Official notice of redemption having been given as aforesaid, the Bonds or portions thereof so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions thereof shall cease to bear interest.

[Bonds maturing December 1, \_\_\_\_\_ 1 and \_\_\_\_\_ shall be subject to mandatory redemption prior to maturity pursuant to the sinking fund requirements of this Section 2.05 at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Registrar shall select for redemption, by lot or other manner deemed fair, on December 1 in each of the following years the following stated principal amounts of such Bonds:

<u>Year</u>	<u>Principal Amount</u>
	\$

The remaining \$ \_\_\_\_\_ stated principal amount of such Bonds shall be paid at maturity on December 1, \_\_\_\_\_.

<u>Year</u>	<u>Principal Amount</u>
	\$

The remaining \$ \_\_\_\_\_ stated principal amount of such Bonds shall be paid at maturity on December 1, \_\_\_\_\_.

Notice of redemption shall be given as provided in the preceding paragraph.]

2.06. Preparation and Delivery. The Bonds shall be prepared under the direction of the City Administrator and shall be executed on behalf of the City by the signatures of the Mayor and the City Administrator; provided that said signatures may be printed, engraved, or lithographed facsimiles thereof. In case any officer whose signature, or a facsimile of whose signature, shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. When the Bonds have been so executed and authenticated, they shall be delivered to DTC on behalf the Purchaser upon payment of the

purchase price in accordance with the contract of sale heretofore made and executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

2.07. Securities Depository. (a) For purposes of this Section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Bonds as securities depository.

“Representation Letter” shall mean the Representation Letter from the City to DTC.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with the Representation Letter, 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 interest on the

Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (d) hereof.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (d) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (d) hereof.

(d) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of bond certificates and the method of payment of principal of and interest on such Bonds in the form of bond certificates.

2.08. Form of Bonds. The Bonds shall be prepared in substantially the following form:



UNITED STATES OF AMERICA  
STATE OF MINNESOTA

CITY OF LAKE ELMO

GENERAL OBLIGATION WATER REVENUE BOND, SERIES 2005A

No. R- \_\_\_\_\_ \$ \_\_\_\_\_

<u>Interest Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	December 1, _____	August 1, 2005	

REGISTERED OWNER:

PRINCIPAL AMOUNT: THOUSAND DOLLARS

THE CITY OF LAKE ELMO, Minnesota (the "City"), acknowledges itself to be indebted and, for value received, hereby promises to pay to the registered owner named above, or registered assigns, the principal amount specified above, on the maturity date specified above, with interest thereon from the date of original issue specified above, or from the most recent interest payment date to which interest has been paid or duly provided for, at the annual rate specified above. Interest hereon is payable on June 1 and December 1 in each year, commencing June 1, 2006, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a business day) of the immediately preceding month, all subject to the provisions referred to herein with respect to the redemption of the principal of this Bond before maturity. The interest hereon and, upon presentation and surrender hereof, the principal hereof, are payable in lawful money of the United States of America by check or draft of Northland Trust Services, Inc., Minneapolis, Minnesota, as Bond Registrar, Transfer Agent and Paying Agent (the "Bond Registrar"), or its successor designated under the Resolution described herein.

This Bond is one of an issue in the aggregate principal amount of \$4,600,000 (the "Bonds") all of like date and tenor except as to serial number, interest rate, redemption privilege and maturity date, issued pursuant to a resolution adopted by the City Council on July 19, 2005 (the "Resolution"), for the purpose of financing the costs of improvements to the water enterprise system of the City, and is issued pursuant to and in full conformity with the provisions of the Constitution and laws of the State of Minnesota thereunto enabling, including Minnesota Statutes, Sections 444.075 and Chapter 475. For the full and prompt payment of the principal and interest on the Bonds as the same become due, the full faith, credit and taxing power of the City have been and are hereby irrevocably pledged. The Bonds are issuable only as fully registered bonds in denominations of \$5,000 or any multiple thereof, of single maturities.

Bonds maturing in 2014 and later years are each subject to redemption and prepayment, at the option of the City and in whole or in part, and in the maturities selected by the City and by lot, assigned in proportion to their principal amount, within any maturity, on December 1, 2013 and on any date thereafter, at a price equal to the principal amount thereof to be redeemed plus accrued interest to the date of redemption. At least thirty days prior to the date set for redemption of any Bond, notice of the call for redemption will be mailed to the Bond Registrar and to the registered owner of each Bond to be redeemed at his address appearing in the Bond Register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of the proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of the Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price herein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bond or portions of Bonds shall cease to bear interest. Upon the partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

[Bonds maturing in the years \_\_\_\_ and \_\_\_\_ shall be subject to mandatory redemption, at a redemption price equal to their principal amount plus interest accrued thereon to the redemption date, without premium, on December 1 in each of the years shown below, in an amount equal to the following principal amounts:

<u>Term Bonds Maturing in 20__</u>		<u>Term Bonds Maturing in 20__</u>	
<u>Sinking Fund</u>	<u>Aggregate</u>	<u>Sinking Fund</u>	<u>Aggregate</u>
<u>Payment Date</u>	<u>Principal Amount</u>	<u>Payment Date</u>	<u>Principal Amount</u>
	\$		\$

Notice of redemption shall be given as provided in the preceding paragraph.]

The Bonds have been designated by the City as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Bond Registrar, by the registered owner hereof in person or by his attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or his attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The City and the Bond Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the issuance of this Bond in order to make this Bond a valid and binding general obligation of the City according to its terms, have been done, do exist, have happened and have been performed in regular and due form as so required; that in and by the Resolution, the City has pledged to the payment of the principal of and interest on the Bonds net revenues of the water enterprise system of the City; that in and by the Resolution, the City has covenanted and agreed with the owner of the Bonds that it will impose and collect charges for the service, use and availability of its water enterprise system at the time and in the amounts required to produce net revenues adequate to pay all principal of and interest on the Bonds and on all other bonds payable from net revenues of the water enterprise system as such principal and interest respectively become due; that if needed to pay the principal and interest on this Bond, ad valorem taxes will be levied upon all taxable property in the City without limitation as to rate or amount; and that the issuance of this Bond does not cause the indebtedness of the City to exceed any constitutional or statutory limitation.

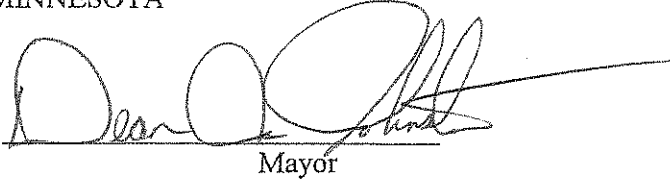
This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Bond Registrar by the manual signature of a person authorized to sign on its behalf.

IN WITNESS WHEREOF, the City of Lake Elmo, Minnesota, by its City Council, has caused this Bond to be executed by the signatures of the Mayor and the City Administrator.

CITY OF LAKE ELMO,  
MINNESOTA



City Administrator



Mayor

\_\_\_\_\_  
CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

Date of Authentication: \_\_\_\_\_

NORTHLAND TRUST SERVICES, INC.,  
as Bond Registrar

By \_\_\_\_\_  
Authorized Representative

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  | UTMA .....as Custodian for .....<br>(Cust) (Minor)     |
| TEN ENT -- as tenants by entireties  | under Uniform Transfers to Minors Act .....<br>(State) |
| JT TEN -- as joint tenants with right of survivorship and not as tenants in common |  |

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 all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for 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 enlargement or any change whatsoever.

Signature Guaranteed: \_\_\_\_\_  
Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in

substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: \_\_\_\_\_

[end of bond form]

**SECTION 3. USE OF PROCEEDS; SECURITY PROVISIONS.**

3.01. Use of Proceeds. Bond proceeds in the amount set forth in Section 3.02 hereof are appropriated to the Construction Fund created therein. Any amounts received from the Purchaser remaining after such amounts have been appropriated are hereby appropriated to the Bond Fund created in Section 3.03 hereof.

3.02. 2005 Utility Construction Fund. There is hereby created a special bookkeeping fund to be designated as the "2005 Utility Construction Fund" (the "Construction Fund"), to be held and administered by the City Administrator separate and apart from all other funds of the City. The City appropriates to the Construction Fund \$4,520,000 of the proceeds of the sale of the Bonds. The Construction Fund shall be used solely to defray expenses of the Improvements, including but not limited to the transfer to the Bond Fund, created in Section 3.03 hereof, of amounts sufficient for the payment of interest due upon the Bonds prior to the completion of the Improvements and the payment of the expenses incurred by the City in connection with the issuance of the Bonds. Upon completion and payment of all costs of the Improvements, any balance of the proceeds of Bonds remaining in the Construction Fund may be used to pay the cost, in whole or in part, of any other improvements to the Utility, as directed by the City Council, but any balance of such proceeds not so used shall be credited and paid to the Bond Fund.

3.03. 2005 Utility Bond Fund. So long as any of the Bonds are outstanding and any principal of or interest thereon unpaid, the City Administrator shall maintain on its books and records a separate and special bookkeeping fund designated "2005 Utility Bond Fund" (the "Bond Fund") to be used for no purpose other than the payment of the principal of and interest on the Bonds and any additional obligations of the City payable therefrom pursuant to Section 3.04 hereof. If the balance in the Bond Fund is ever insufficient to pay all principal and interest then due on bonds payable therefrom, the City Administrator shall nevertheless provide sufficient money from any other funds of the City which are available for that purpose, and such other funds shall be reimbursed from subsequent receipts of net revenues of the Utility appropriated to the Bond Fund and, if necessary, from the proceeds of the taxes levied for the Bond Fund. The City hereby appropriates to the Bond Fund the amounts required by Section 3.02 to be credited to the Bond Fund. The City Administrator shall deposit in the Bond Fund the proceeds of all taxes levied and all other money which may at any time be received for or appropriated to the payment of such bonds and interest, including the net revenues of the Utility herein pledged and appropriated to the Bond Fund, all collections of any ad valorem taxes levied

for the payment of the Bonds, and all other moneys received for or appropriated to the payment of the Bonds and interest thereon.

There are hereby established two accounts in the Bond Fund, designated as the "Debt Service Account" and the "Surplus Account." All money appropriated or to be deposited in the Bond Fund shall be deposited as received into the Debt Service Account. On each December 1, the City Administrator shall determine the amount on hand in the Debt Service Account. If such amount is in excess of one-twelfth of the debt service payable from the Bond Fund in the immediately preceding 12 months, the City Administrator shall promptly transfer the amount in excess to the Surplus Account. The City appropriates to the Surplus Account any amounts to be transferred thereto from the Debt Service Account as herein provided and all income derived from the investment of amounts on hand in the Surplus Account. If at any time the amount on hand in the Debt Service Account is insufficient to meet the requirements of the Bond Fund, the City Administrator shall transfer to the Debt Service Account amounts on hand in the Surplus Account to the extent necessary to cure such deficiency.

3.04. Imposition of Charges; Additional Bonds. The City hereby covenants and agrees with the holders from time to time of the Bonds that so long as any of the Bonds are outstanding, the City will impose and collect reasonable charges for the service, use and availability of the Utility to the City and its inhabitants according to schedules calculated to produce net revenues which will be sufficient to pay all principal and interest when due on the Bonds and all other obligations payable from the net revenues of the Utility. Net revenues of the Utility, to the extent necessary, are hereby irrevocably pledged and appropriated to the payment of the principal of the Bonds and interest thereon; provided that nothing herein shall preclude the City from hereafter making further pledges and appropriations of net revenues of the Utility for the payment of additional obligations of the City hereafter authorized if the City Council determines before the authorization of such additional obligations that the estimated net revenues of the Utility will be sufficient, together with any other sources pledged to or projected to be used, for the payment of the principal of and interest on the Bonds and paid therefrom and such additional obligations. Such further pledges and appropriations of said net revenues may be made superior or subordinate to or on a parity with the pledge and appropriation herein made, as to the application of net revenues received from time to time.

3.05. Full Faith and Credit Pledged. The full faith and credit of the City are irrevocably pledged for the prompt and full payment of the principal of and the interest on the Bonds and any other obligations payable from the Bond Fund, as such principal and interest comes due. If the money on hand in the Bond Fund should at any time be insufficient for the payment of principal and interest then due, the City shall pay the principal and interest out of any fund of the City, and such other fund or funds shall be reimbursed therefor when sufficient money is available to the Bond Fund. If on December 1 in any year the sum of the balance in the Bond Fund plus the available net revenues of the Utility on hand and estimated to be received or before the end of the following calendar year is not sufficient with any ad valorem taxes heretofore levied in accordance with the provisions of this resolution, to pay when due all principal and interest become due on all Bonds payable therefrom in said following calendar year, or the Bond Fund has incurred a deficiency in the manner provided in this Section 3.05, a direct, irrevocable, ad

valorem tax shall be levied on all taxable property within the corporate limits of the City for the purpose of restoring such accumulated or anticipated deficiency in an amount at least 5% in excess of amount needed to make good the deficiency.

SECTION 4. DEFEASANCE. When any Bond has been discharged as provided in this Section 4, all pledges, covenants and other rights granted by this resolution to the holders of such Bonds shall cease, and such Bonds shall no longer be deemed outstanding under this Resolution. The City may discharge its obligations with respect to any Bond which is due on any date by irrevocably depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or, if any Bond should not be paid when due, the City may nevertheless discharge its obligations with respect thereto by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The City may also discharge its obligations with respect to any prepayable Bond called for redemption on any date when it is prepayable according to their terms, by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; provided that notice of the redemption thereof has been duly given as provided in Section 2.05. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to pay all principal and interest to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

SECTION 5. COUNTY AUDITOR REGISTRATION, CERTIFICATION OF PROCEEDINGS, ARBITRAGE; QUALIFIED TAX EXEMPT OBLIGATIONS AND OFFICIAL STATEMENT.

5.01. County Auditor Registration. The City Administrator is hereby authorized and directed to file a certified copy of this Resolution with the County Auditor of Washington County, together with such other information as the County Auditor shall require, and to obtain from said County Auditor a certificate that the Bonds have been entered on the Auditor's bond register and the taxes levied as required by law.

5.02. Certification of Proceedings. The officers of the City and the County Auditor of Washington County are hereby authorized and directed to prepare and furnish to the Purchaser and to Dorsey & Whitney LLP, Bond Counsel to the City, certified copies of all proceedings and records of the City, and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of 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.

5.03. Covenant. The City covenants and agrees with the holders from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become includable in gross income



for purposes of income taxation under the Internal Revenue Code of 1986, as amended (the Code), and Regulations promulgated thereunder (the Regulations), and covenants to take any and all actions within its powers to ensure that the interest on the Bonds will not become subject to taxation under such Code and Regulations. The Improvements are public improvements available for use by members of the general public on a substantially equal basis. The City will not enter into any lease, use agreement or other contract respecting the Improvements which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" pursuant to Section 141 of the Code.

5.04. Arbitrage Rebate Exemption. For purposes of complying with the requirements of Section 148(f)(4)(C) of the Code relating to the exemption of certain small governmental units from the rebate requirements of the Code, the City represents that:

- (i) the City is a governmental unit with general taxing powers;
- (ii) the Bonds are not "private activity bonds" as defined in Section 141 of the Code (Private Activity Bonds);
- (iii) ninety-five percent of the net proceeds of the Bonds are to be used for the local governmental purposes of the City; and
- (iv) the aggregate face amount of all tax-exempt bonds (other than Private Activity Bonds) issued by the City in the calendar year in which the Bonds are to be issued is not reasonably expected to exceed \$5,000,000.

Therefore, pursuant to the provisions of Section 148(f)(4)(c) of the Code, the City shall not be required to comply with the arbitrage rebate requirements of paragraphs (2) and (3) of Section 148(f) of the Code.

If notwithstanding the provisions of the immediately preceding paragraph, the arbitrage rebate provisions of Section 148(f) of the Code apply to the Bonds, the City hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f) and applicable Regulations.

5.05. Arbitrage Certification. The Mayor and the City Administrator, being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certification in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b)(2) of the Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of the Code and Regulations.

5.06. Qualified Tax-Exempt Obligations. The City hereby designates the Bonds as "qualified tax-exempt obligations" for purpose of Section 265(b) of the Code relating to the disallowance of interest expenses for financial institutions. The City represents that in calendar

year 2005 it does not reasonably expect to issue tax-exempt obligations which are not private activity bonds (not treating qualified 501(c)(3) bonds under Section 145 of the Code as private activity bonds for purposes of this representation) in an amount in excess of \$10,000,000.

5.07. Official Statement. The Official Statement relating to the Bonds, dated July \_\_\_\_\_, 2005, prepared and distributed on behalf of the City by Northland Securities, Inc., is hereby approved. The officers of the City are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

5.09. Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has complied in all material respects with any undertaking previously entered into by it under the Rule. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before 365 days after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2004, the following financial information and operating data in respect of the City (the Disclosure Information):

- (A) the audited financial statements of the City for such fiscal year, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, an update of the operating and financial data of the type of information contained in the Official Statement under the captions ECONOMIC AND FINANCIAL INFORMATION; SUMMARY OF DEBT AND DEBT STATISTICS; GENERAL INFORMATION- "Major Employers" and "Building Permits."

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to each of the repositories hereinafter referred to under subsection (c) or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an

explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):
- (A) Principal and interest payment delinquencies;
  - (B) Non-payment related defaults;
  - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) Substitution of credit or liquidity providers, or their failure to perform;
  - (F) Adverse tax opinions or events affecting the tax-exempt status of the security;
  - (G) Modifications to rights of security holders;
  - (H) Bond calls;
  - (I) Defeasances;
  - (J) Release, substitution, or sale of property securing repayment of the securities;  
and
  - (K) Rating changes.

As used herein, a Material Fact is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
  - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
  - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
  - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared;  
and
  - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure. The City agrees to make available the information described in subsection (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

- (1) the information described in paragraph (1) of subsection (b), to each then nationally recognized municipal securities information repository under the Rule and to any state information depository then designated or operated by the State of Minnesota as contemplated by the Rule (the State Depository), if any;
- (2) the information described in paragraphs (2) and (3) of subsection (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and
- (3) the information described in subsection (b), to any rating agency then maintaining a rating of the Bonds at the request of the City and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, at the time of transmission under paragraphs (1) or (2) of this subsection (c), as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary

offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

Upon vote being taken thereon the following voted in favor thereof:

Mayor Dean Johnston	Council Members:	Conlin
		DeLapp
and the following voted against the same:		Johnson
		Smith

whereupon the resolution was declared duly passed and adopted.