OFFICIAL STATEMENT DATED NOVEMBER 14, 2006

NEW ISSUE **RATINGS:** **Moody's: Aaa**
BOOK ENTRY **Standard & Poor's: AAA**
Fitch: AAA

In the opinion of Kennedy & Graven, Chartered, bond counsel, according to present federal and Minnesota laws, regulations, rulings, and decisions, interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Interest on the Bonds is subject to Minnesota franchise taxes imposed on corporations and financial institutions. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates, and trusts. Interest on the Bonds is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes. See "TAX EXEMPTION AND COLLATERAL TAX MATTERS" herein.

$35,000,000
STATE OF MINNESOTA
911 Revenue Bonds
(Public Safety Radio Communications System Project)
Series 2006

Dated: November 1, 2006 Due: June 1, as shown below

Year	Amount	Interest Rate	Price or Yield	CUSIP 60412L
2008	$ 2,590,000	4.00%	3.53%	AA7
2009	$ 2,690,000	5.00	3.58	AB5
2010	$ 2,795,000	5.00	3.58	AC3
2011	$ 2,905,000	4.00	3.58	AD1
2012	$ 3,025,000	4.25	3.59	AE9
2013	$ 3,150,000	5.00	3.61	AF6
2014	$ 3,280,000	5.00	3.65	AG4
2015	$ 3,415,000	5.00	3.70	AH2
2016	$ 3,560,000	5.00	3.74	AJ8
2017	$ 3,715,000	5.00	3.78	AK5
2018	$ 3,875,000	5.00	3.82	AL3

THE 911 REVENUE BONDS (PUBLIC SAFETY RADIO COMMUNICATIONS SYSTEM PROJECT), SERIES 2006 (THE "BONDS") ARE BEING ISSUED UNDER AND PURSUANT TO LAWS OF MINNESOTA 2005, CHAPTER 136, ARTICLE 1, SECTION 9, SUBDIVISION 8, AND MINNESOTA STATUTES, SECTION 403.275, AND AN ORDER OF THE COMMISSIONER OF FINANCE DATED NOVEMBER 1, 2006 (THE "ORDER"), AND ARE SPECIAL, LIMITED OBLIGATIONS OF THE STATE PAYABLE SOLELY FROM AND SECURED BY APPROPRIATIONS FROM THE 911 EMERGENCY TELECOMMUNICATIONS SERVICE ACCOUNT PURSUANT TO MINNESOTA STATUTES, SECTION 403.30. THE PLEDGED REVENUES ARE DERIVED FROM FEES IMPOSED BY THE STATE ON EACH CUSTOMER OF A TELEPHONE SERVICE PROVIDER THAT FURNISHES SERVICE CAPABLE OF ORIGINATING A 911 EMERGENCY TELEPHONE CALL. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE, AND ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE STATE.

The Bonds maturing on June 1, 2017, and June 1, 2018, will be subject to redemption and prepayment at the option of the State on December 1, 2016, and any date thereafter at a price of par plus accrued interest.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.

MBIA

The Bonds will be available to purchasers in book entry form only, and initially will be registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bank of New York Trust Company, N.A., in Dallas, Texas, will act as Bond Registrar and Paying Agent for the Bonds.

The Bonds are offered by the State subject to the legal opinions of Kennedy & Graven, Chartered, bond counsel, as to the validity of the Bonds and tax exemption. Delivery will be made on or about November 22, 2006. This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Unless otherwise indicated, information contained in this Official Statement is based upon material provided by the State and available at the date of publication of this Official Statement.

No dealer, broker, salesman or other person has been authorized by the State to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the State. Certain information contained herein has been obtained from sources other than records of the State and is believed to be reliable, but it is not guaranteed. Information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there have not been any changes in the affairs of the State since the date hereof.

The CUSIP numbers are included on the cover page of this Official Statement for convenience of the owners and potential owners of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

The Bonds have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state, in reliance upon exemptions contained in such act. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used such as "plan," "expect," "estimate," "budget," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the forepart of this Official Statement under the caption "RISK FACTORS."

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions, or circumstances on which such statements are based, occur or do not occur.

STATE OF MINNESOTA OFFICIALS

GOVERNOR	Tim Pawlenty
LIEUTENANT GOVERNOR	Carol Molnau
SECRETARY OF STATE	Mary Kiffmeyer
STATE AUDITOR	Patricia Anderson
ATTORNEY GENERAL	Mike Hatch
LEGISLATIVE AUDITOR	James R. Nobles

COMMISSIONER OF FINANCE

Peggy S. Ingison

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STATE OF MINNESOTA
911 REVENUE BONDS
(PUBLIC SAFETY RADIO COMMUNICATIONS SYSTEM PROJECT)
SERIES 2006

INTRODUCTION

General

This Official Statement, including the cover page and Appendices A through G (the "Official Statement"), has been prepared by the State of Minnesota Department of Finance to furnish information relating to the 911 Revenue Bonds (Public Safety Radio Communications System Project), Series 2006 (the "Bonds"), to be issued by the State of Minnesota (the "State") in the original aggregate principal amount of $35,000,000, to prospective purchasers and to actual purchasers of the Bonds. The Bonds are dated as of the date of issuance of the Bonds. This Introduction contains only a brief description of or references to a portion of such information, and prospective and actual purchasers should read the entire Official Statement. Terms which are capitalized in the text of this Official Statement are defined in "APPENDIX A — DEFINED TERMS" or in the text of this Official Statement. These definitions should be read in conjunction with the text.

Authorization and Purpose

The Bonds are being issued by the State, acting by and through its Commissioner of Finance (the "Commissioner" or the "Commissioner of Finance"), pursuant to Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, Subdivision 8, and Minnesota Statutes, Chapter 403, as amended (collectively, the "Act"), and an Order of the Commissioner of Finance, dated November 1, 2006 (the "Order").

The Bonds are being issued to finance Phase 3 of a statewide radio system which enables emergency response organizations to utilize a single, integrated, and highly structured digital radio communications system. The statewide radio system is known as the Allied Radio Matrix for Emergency Response System (the "ARMER System"). Phases 1 and 2 provided nine counties in the Minneapolis-Saint Paul metropolitan area with the radio system infrastructure for the ARMER System. Phase 3 will extend the ARMER System to the St. Cloud and Rochester State Patrol districts which encompass twenty-three (23) counties. For a more detailed description of the ARMER System and the uses of the proceeds of the Bonds, see the information herein under the captions "SOURCES AND USES OF FUNDS," "THE ARMER SYSTEM AND THE PROJECT," and "APPENDIX B — THE ARMER SYSTEM."

Bond Terms

The Bonds mature on the dates, in the principal amounts, and bear interest at the annual rates shown on the cover page hereof. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months, and is payable semiannually on each June 1 and December 1 to maturity or prior redemption, commencing June 1, 2007. If principal or interest is due on a date on which commercial banks located in the State are not open for commercial business, then payment will be made on the first day thereafter when such banks are open for business. The Bonds are subject to redemption and prepayment at the option of the State on the terms and conditions described under the caption "THE BONDS — Redemption and Prepayment."

The Bonds are issued in book entry form and in denominations of $5,000 or multiples thereof of a single maturity. The Bonds will be issued initially registered in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Accordingly, printed Bonds will not be available to purchasers of the Bonds. For a description of the book entry system pursuant to which the Bonds will be issued, see the information under the caption "BOOK ENTRY SYSTEM."

Security

The Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit and taxing powers of the State.

The Bonds are being issued under and pursuant to the Act and the Order. The Bonds are special, limited obligations of the State of Minnesota. The debt service on the Bonds will be payable solely from the revenues derived from a fee (the "911 Fee") assessed to each customer of a wireless or wire-line switched or packet-based telecommunications service provider connected to the public switched telephone network that furnishes service capable of originating a 911 emergency telephone call in the State based upon the number of wired or wireless telephone lines, or their equivalent. The 911 Fee is currently sixty-five cents (65¢) per month. The State of Minnesota establishes the level of the 911 Fee within limits established under the Act and collects the revenues derived from imposition of the 911 Fee (the "911 Fee Revenues") monthly from the telephone companies operating in the State (a few smaller companies pay on a quarterly basis). The 911 Fee Revenues are required to be deposited in the 911 Emergency Telecommunications Service Account established under the terms of the Act and maintained by the Commissioner of Public Safety. The amount necessary to pay debt service costs and reserves are appropriated from the 911 Emergency Telecommunications Service Account to the Commissioner of Finance. The 911 Fee Revenues have primarily been used to build and operate the infrastructure necessary for the 911 emergency telecommunications systems for rapid access to emergency services for consumers. Over the past eight years, the 911 Fee Revenues have also been utilized to construct Phase 1 of the ARMER System. Although it is expected that the 911 Fee Revenues will continue to be applied to the payment of the costs of operating the 911 emergency telecommunications system and maintaining the ARMER System, as well as to the payment of the principal of and interest on the Bonds and certain other obligations, the Act provides that 911 Fee Revenues must be used to pay annual debt service costs prior to the use of 911 Fee Revenues to pay other costs.

Additional information with regard to the security for the Bonds is provided under the caption "SECURITY FOR THE BONDS." Financial information with respect to the 911 Fee and the 911 Fee Revenues can be found in "APPENDIX C — FINANCIAL INFORMATION" in this Official Statement.

For information as to the credit ratings assigned to the Bonds by various rating agencies, see the information under the caption "RATINGS" in this Official Statement.

Additional Bonds

The State reserves the right to issue additional bonds payable from the 911 Fee Revenues on a parity basis as to both principal and interest with the Bonds (the "Additional Bonds") provided that: (i) projected collections of the 911 Fee Revenues (including any 911 Fee Revenues derived from any increases in the 911 Fee that are authorized by the Minnesota Legislature and imposed by the State) shall not be less than 150 percent of the combined maximum annual debt service on the Bonds and any Additional Bonds in any succeeding Fiscal Year; and (ii) any reserve for the Bonds and Additional Bonds is funded to the requirement for such reserve as of the date of issuance of any Additional Bonds.

Risk Factors

The principal of and interest on the Bonds are payable solely from the 911 Fee Revenues. The availability and sufficiency of the 911 Fee Revenues are subject to factors over which the Commissioner and the State may have no control. These and related risk factors affecting the Bonds are discussed in this Official Statement under the caption "RISK FACTORS" and should be reviewed by prospective purchasers of the Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used such as "plan," "expect," "estimate," "budget," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the forepart of this Official Statement under the caption "RISK FACTORS." The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions, or circumstances on which such statements are based, occur or do not occur.

Legal Opinions

The Bonds are approved as to validity by Kennedy & Graven, Chartered, bond counsel.

In the opinion of Kennedy & Graven, Chartered, bond counsel, according to present federal and Minnesota laws, regulations, rulings, and decisions, interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Interest on the Bonds is subject to Minnesota franchise taxes imposed on corporations and financial institutions. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates, and trusts. Interest on the Bonds is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

Additional information with regard to tax matters relating to the Bonds is provided under the caption "TAX EXEMPTION AND COLLATERAL TAX MATTERS" in this Official Statement.

Continuing Disclosure

The Commissioner, in the Order authorizing and ordering the issuance of the Bonds, has covenanted and agreed on behalf of the State, for the benefit of the holders of the Bonds from time to time, to comply with the provisions of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized securities repositories and any Minnesota state information depository, annual financial information of the type included in this Official Statement and notice of the occurrence of events which materially affect the terms, payment, security, rating, or tax status of the Bonds. The State is the only "obligated person" in respect of the Bonds within the meaning of paragraph (b)(5). Additional information with respect to such

continuing disclosure obligations is set forth under the caption "CONTINUING DISCLOSURE" and in "APPENDIX E — CONTINUING DISCLOSURE UNDERTAKING" in this Official Statement.

Additional Information

Questions regarding this Official Statement should be directed to: Peter Sausen, Assistant Commissioner, State Department of Finance, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 201-8014, email peter.sausen@state.mn.us; or Susan Gurrola, Financial Bond Analyst, State Department of Finance, 400 Centennial Office Building, Saint Paul, Minnesota 55155, telephone (651) 201-8046, email sue.gurrola@state.mn.us. Questions regarding legal matters should be directed to Stephen Bubul, Kennedy & Graven, Chartered, 470 U.S. Bank Plaza, 200 South Sixth Street, Minneapolis, Minnesota 55402, telephone (612) 337-9228, email sbubul@kennedy-graven.com, or John Utley, Kennedy & Graven, Chartered, 470 U.S. Bank Plaza, 200 South Sixth Street, Minneapolis, Minnesota 55402, telephone (612) 337-9270, email jutley@kennedy-graven.com.

THE BONDS

Authorization and Purpose

The Bonds are being issued by the State, acting by and through the Commissioner, pursuant to the Act and the Order. The Bonds are being issued to finance Phase 3 of the ARMER System which enables emergency response organizations to utilize a single, integrated, and highly structured digital radio communications system. Phase 3 will extend the ARMER System beyond the Minneapolis-Saint Paul metropolitan area to the St. Cloud and Rochester State Patrol districts which encompass an additional twenty-three (23) counties. For a more detailed description of the ARMER System and the uses of the proceeds of the Bonds, see the information herein under the captions "SOURCES AND USES OF FUNDS," "THE ARMER SYSTEM AND THE PROJECT," and "APPENDIX B — THE ARMER SYSTEM."

Article XI, Section 5, of the Minnesota Constitution authorizes public debt to be incurred for the acquisition and betterment of public land, buildings, and other improvements of a capital nature as the Legislature by a three-fifths vote of both the House of Representatives and the Senate may direct. Public debt includes any obligation payable directly in whole or in part from a tax of state wide application on any class of property, income, transaction or privilege, but does not include any obligation which is payable from revenues other than taxes. All bonds issued under the provisions of Article XI of the Minnesota Constitution are required to mature not more than twenty (20) years from their respective dates of issue and each law authorizing the issuance of bonds must distinctly specify the purposes thereof and the maximum amount of the proceeds authorized to be expended for each purpose.

Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, authorizes the Commissioner of Finance to sell and issue bonds of the State in an amount up to $62,500,000 in the manner and upon the terms, and with the effect prescribed by Minnesota Statutes, Section 403.275. Minnesota Statutes, Section 403.275, states in relevant part that: "The commissioner of finance, if requested by a vote of at least two-thirds of all the members of the Statewide Radio Board, shall sell and issue state revenue bonds for the following purposes: (1) to pay the costs of the statewide public safety radio communication system backbone identified under section 403.36 and those elements that the Statewide Radio Board determines are of regional or statewide benefit and support mutual aid and emergency medical services communication, including, but not limited to, costs of master controllers of the backbone; (2) to pay the costs of issuance, debt service, and bond insurance or other credit enhancements, and to fund reserves . . . ." In a resolution adopted by a vote of at least two-thirds of its members on June 22, 2006,

the Statewide Radio Board requested that the Commissioner of Finance sell and issue revenue bonds pursuant to Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, Subdivision 8, in one or more series, in an aggregate principal amount not to exceed $62,500,000, under the terms and conditions set forth in Minnesota Statutes, Section 403.275, to finance the purposes set forth in Minnesota Statutes, Section 403.275.

Bond Terms

The Bonds mature on the dates, in the principal amounts, and bear interest at the annual rates shown on the cover page hereof. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months, and is payable semiannually on each June 1 and December 1 to maturity or prior redemption, commencing June 1, 2007. If principal or interest is due on a date on which commercial banks located in the State are not open for commercial business, then payment will be made on the first day thereafter when such banks are open for business.

Redemption and Prepayment

Optional Redemption

Bonds maturing on or before June 1, 2016, will not be subject to redemption prior to their stated maturity dates. Bonds maturing on June 1, 2017, and June 1, 2018, will be subject to redemption and prepayment by the State at its option on December 1, 2016, and any date thereafter, in whole or in part, in any order determined by the State and by lot within each maturity, at a price of par plus accrued interest to the date specified for redemption.

Notice of any redemption of Bonds will be published in financial newspapers circulated in the Minneapolis-St. Paul metropolitan area and in the Borough of Manhattan, City and State of New York, not less than thirty (30) days before the redemption date, stating: (i) the series, original date of issue, maturity dates, CUSIP numbers, and interest rates of the Bonds to be redeemed; (ii) if less than all Bonds of any maturity are to be redeemed, the registration numbers of those to be redeemed; (iii) the principal amount to be redeemed if less than the entire principal amount of any Bond; (iv) the redemption date and price and the name and address of the paying agent where such Bonds must be presented for payment; (v) that on the redemption date the redemption price of the Bonds or portions thereof to be redeemed will be payable; and (vi) that after the redemption date interest will cease to accrue or be payable thereon. Notice will also be mailed to the registered owner of any such Bond at the address shown on the bond register, not less than twenty (20) days before the redemption date. During the period when the book entry system is in effect, the Bonds will be registered in the name of the nominee of DTC or another securities depository designated for this purpose as indicated under the caption "BOOK ENTRY SYSTEM," in this Official Statement, and thus notice of redemption will be mailed only to such securities depository which in turn is obligated to notify its participants who are obligated to notify the Beneficial Owners of the Bonds. The State assumes no responsibility with respect to the giving of such notice of redemption by the securities depository or its participants.

Notice of redemption having been so published and mailed, the Bonds or portion of Bonds therein specified shall be due and payable at the specified redemption date and price, with accrued interest, and funds for such payment being held by or on behalf of the paying agent so as to be available therefor, interest thereon shall cease to accrue, and such Bonds or portions thereof shall no longer be considered outstanding under the Order authorizing their issuance. The failure to publish notice of redemption shall not affect the validity or effectiveness of mailed notice, and the failure to mail notice to any registered owner, or any defect in the notice mailed to any registered owner, shall not affect the validity or effectiveness of the notice of redemption mailed to any other registered owner.

BOOK ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities and will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity in a principal amount equal to the aggregate principal amount of each maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 companies that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation ("NSCC," "FICC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct Participants and Indirect Participants (collectively, the "Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is, in turn, to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar of the Bonds ("Registrar") and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or its nominee, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information under the caption "BOOK ENTRY SYSTEM" concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes

no responsibility for the completeness or the accuracy thereof, or changes in such information subsequent to the date hereof.

The State cannot and does not give any assurances that DTC, or a successor securities depository, or Participants will distribute to the Beneficial Owners of the Bonds: (i) payments of principal of or interest and premium, if any, on the Bonds; (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in the Bonds; or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, or a successor securities depository, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC or the Participants will serve and act in the manner described in this Official Statement.

The State will have no responsibility or obligation to any Participant, or any Beneficial Owner or any other person with respect to: (i) the accuracy of any records maintained by DTC, or a successor securities depository, or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (ii) the selection of which Beneficial Owners will receive payment in the event of any partial redemption of the Bonds; (iii) any consent given or other action taken by DTC, or a successor securities depository as a Bondholder; or, (iv) the performance by DTC, or any successor securities depository, of any other duties as securities depository.

SECURITY FOR THE BONDS

General

The Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit and taxing powers of the State.

The Bonds are being issued under and pursuant to the Act and the Order. The Bonds are special, limited obligations of the State of Minnesota. The debt service on the Bonds will be payable from the 911 Fee assessed to each customer of a wireless or wire-line switched or packet-based telecommunications service provider connected to the public switched telephone network that furnishes service capable of originating a 911 emergency telephone call in the State based upon the number of wired or wireless telephone lines, or their equivalent. The 911 Fee is currently sixty-five cents (65¢) per month. The State of Minnesota establishes the level of the 911 Fee within limits established under the Act and collects the 911 Fee Revenues monthly from the telephone companies operating in the State (a few smaller companies pay on a quarterly basis). The 911 Fee Revenues are required to be deposited in the 911 Emergency Telecommunications Service Account established under the terms of the Act and maintained by the Commissioner of Public Safety. The amount necessary to pay debt service costs and reserves are appropriated from the 911 Emergency Telecommunications Service Account to the Commissioner of Finance. The 911 Fee Revenues have primarily been used to build and operate the infrastructure necessary for the 911 emergency telecommunications systems for rapid access to emergency services for consumers. Over the past eight years, the 911 Fee Revenues have also been utilized to construct Phase 1 of the ARMER System. Although it is expected that the 911 Fee Revenues will continue to be applied to the payment of the costs of operating the 911 emergency telecommunications system and maintaining the ARMER System, as well as to the payment of the principal of and interest on the Bonds and certain other obligations, the Act provides that 911 Fee Revenues must be used to pay annual debt service costs prior to the use of 911 Fee Revenues to pay other costs.

911 Fee Revenues

The Act provides that the 911 Fee of not less than eight cents (8¢) nor more that sixty-five cents (65¢) a month is assessed upon each customer access line or other basic service. The 911 Fee must be collected from the customer by each wireless or wire-line telecommunication service provider and transferred to the Commissioner of Public Safety monthly (quarterly if the total monthly revenues from the 911 Fee is less than $250 and annually if the total monthly revenues from the 911 Fee is less than $25). The 911 Fee is established by the Commissioner of Public Safety with the approval of the Commissioner of Finance. The 911 Fee is currently set at the maximum amount authorized by law (sixty-five cents (65¢) per customer access line per month). The Commissioner of Public Safety and the Commissioner of Finance have the statutory authority to reduce the 911 Fee. The Commissioner of Public Safety provides notice of any change in the 911 Fee to telecommunication service providers forty-five (45) days in advance of any change. The 911 Fee Revenues are collected by the Commissioner of Public Safety and deposited into the 911 Emergency Telecommunication Service Account, a special revenue account separate from the State's general fund accounts. The 911 Fee Revenues are first applied to the payment of debt service on the Metropolitan Council Bonds and the Bonds and thereafter are applied to the payment of the expenses of operating the 911 emergency telecommunications system and the ARMER System. Money remaining in the 911 Emergency Telecommunication Service Account at the end of each Fiscal Year is not cancelled out but is carried forward to subsequent years.

The annual "subscriber counts" upon which 911 Fees are assessed for the various service providers since Fiscal Year 2001 are provided in the following table.

Historical Subscriber Counts

Fiscal Year	Wire-Line	Wireless	Total
2001	3,025,832	1,785,779	4,811,611
2002	3,015,805	2,099,558	5,115,363
2003	2,982,343	2,268,349	5,250,692
2004	2,921,343	2,540,549	5,461,892
2005	2,839,448	2,847,225	5,686,673
2006	2,737,440	3,170,398	5,907,838

A number of traditional packet-based telecommunication providers offering service as Competitive Local Exchange Carriers (CLEC) have been included in the wire-line subscriber count. Following the order of the Federal Communications Commission of June 2005 requiring pure I.P.-based telecommunications service providers to provide 911 service and to pay 911 fees, Vonage, the principal I.P.-based telecommunications service provider in Minnesota, has begun submitting fees to the Commissioner of Public Safety.

The 911 Fee has been in effect since 1988. The historical and projected collections of the 911 Fee Revenues for the Fiscal Years of the State commencing in Fiscal Year 2003 and ending in Fiscal Year 2009 are provided in the following table.

Historical and Projected 911 Fee Revenues

Fiscal Year	911 Fee	911 Fee Revenues
2003	33¢	$20,792,730
2004	40¢	$25,838,597
2005	40¢	$27,323,188
2006	65¢	$46,229,523
2007*	65¢	$46,930,585
2008*	65¢	$46,737,925
2009*	65¢	$46,273,955

*Projected amounts are based on the State revenue forecasts to be released in November of 2006.

Projections are based on forecasts that are updated each November and February. The Federal Communications Commission issued a decision in June 2005 confirming the authority of the state governments to collect fees from voice over Internet Protocol companies. But the lack of State regulatory oversight of voice over Internet Protocol may impose practical difficulties in the collection of 911 Fees from certain providers.

The 911 Fee Revenues must be submitted to the Commissioner of Public Safety by the 25th of the month following the month in which the 911 Fee Revenues are collected from the customers of each telephone company. The 911 Fee Revenues are deposited into the 911 Emergency Telecommunications Service Account maintained by the Commissioner of Public Safety as provided in the Act. For each Fiscal Year, 911 Fee Revenues for the month of July are transferred to the Commissioner of Public Safety by the 25th day of August. Funds are transferred from the 911 Emergency Telecommunications Service Account to the Debt Service Fund maintained by the Commissioner of Finance at the end of each month from August through May of each Fiscal Year. The transfer of funds to the Debt Service Fund is made before any other 911 emergency telecommunication system expenses or ARMER-related expenses are paid to assure that the annual debt service costs of approximately $6,000,000 (including the debt service obligations with respect to the Metropolitan Council Bonds) are met first from the available annual 911 Fee Revenues of approximately $40,500,000.

The State will establish a debt service fund for the Bonds (the "Debt Service Fund") and will deposit a portion of the 911 Fee Revenues into the Debt Service Fund in an amount equal to: (i) one-quarter (1/4) of the next interest payment on the Bonds and one-tenth (1/10) of the next principal payment of the Bonds at the end of each month from August 31 through November 30 of each year; and (ii) one-sixth (1/6) of the next interest payment on the Bonds and one-tenth (1/10) of the next principal payment of the Bonds at the end of each month from December 31 through May 31. Receipts for 911 Fees paid by customers to telephone companies in May (remitted to the State on or before June 25th) and receipts for fees in June (remitted to the State on or before July 25th) are not expected to be needed for monthly deposits to the Debt Service Fund.

The 911 Fee Revenues have primarily been used to build and operate the infrastructure necessary for the 911 emergency telecommunications systems for rapid access to emergency services for consumers. Over the past eight years, the 911 Fee Revenues have also been utilized to construct Phase 1 of the ARMER System. Although it is expected that the 911 Fee Revenues will continue to be applied to the payment of the costs of operating the 911 emergency telecommunications system and maintaining the ARMER System, as well as to the payment of the principal of and interest on the Bonds and certain other

obligations, the Act provides that 911 Fee Revenues must be used to pay annual debt service costs prior to the use of 911 Fee Revenues to pay other costs.

Under current law, upon retirement of the Metropolitan Council Bonds (see "SECURITY FOR THE BONDS—the Metropolitan Council Bonds" below), the 911 Fee is required to be reduced by the amount that was applied to the payment of the debt service on the Metropolitan Council Bonds. This would require a reduction of the 911 Fee in the amount of approximately $1,400,000 per annum (or approximately two cents (2¢) per customer access line per month of the current 911 Fee).

The Act authorizes the Commissioner of Finance to sell and issue up to $62,500,000 of revenue bonds to finance the capital costs of the ARMER System. The Bonds are expected to be issued in November, 2006, which falls in Fiscal Year 2007. In addition to the $35,000,000 principal amount of the Bonds, the State expects to issue a series of Additional Bonds in a principal amount of approximately $14,000,000 in late calendar year 2007 or early calendar year 2008 (the "Series 2008 Bonds"). See "INTRODUCTION—Additional Bonds" and "SECURITY FOR THE BONDS—Additional Bonds" in this Official Statement. The aggregate principal amount of the Bonds and the Series 2008 Bonds is expected to be less than the $62,500,000 authorized by the Act because approximately $12,000,000 of the costs of the ARMER System authorized to be paid with the proceeds of the Bonds and the Series 2008 Bonds are expected to be paid with money appropriated by the Act for debt service payments in Fiscal Years 2006 and 2007. The combined debt service coverage of the authorized issues of the Bonds and the Series 2008 Bonds is projected to be in excess of 700 percent after subtracting the debt service paid with the portion of the 911 Fee Revenues that has been pledged to the Metropolitan Council Bonds. (Information regarding the Metropolitan Council Bonds can be found under the caption "SECURITY FOR THE BONDS—The Metropolitan Council Bonds" in this Official Statement.) Specifically, during the terms of the Bonds and the Series 2008 Bonds authorized to be issued by the Act, the State expects to receive net annual 911 Fee Revenues of approximately $44,000,000 to be applied to approximately $6,000,000 of annual debt service on the Bonds and the Series 2008 Bonds. See the table of projected 911 Fee Revenues and the projected debt service on the Bonds and the Series 2008 Bonds under the caption "PROJECTED DEBT SERVICE SCHEDULE" in this Official Statement.

As part of the 2008-2009 biennial budget process, the Commissioner of Public Safety is expected to present to the Governor a plan for the use of fund balances of 911 Fee Revenues.

Financial information with respect to the 911 Fee and the 911 Fee Revenues can be found in "APPENDIX C — FINANCIAL INFORMATION" in this Official Statement.

The Metropolitan Council Bonds

The Metropolitan Council issued bonds in 1999 (the "Metropolitan Council Bonds") in the principal amount of $14,280,000 to assist in the financing of a portion of the capital costs of Phase 1 of the ARMER System. The law under which the Metropolitan Council Bonds were issued granted a priority pledge of up to four cents (4¢) of the 911 Fee to the payment of the debt service on the Metropolitan Council Bonds. In Fiscal Year 2006, the four cents (4¢) of the 911 Fee produced 911 Fee Revenues of $2,844,892. The annual debt service for the Metropolitan Council Bonds is approximately $1,400,000 per year. In 2005, the Minnesota Legislature deleted the four cent (4¢) restriction and provided that the entire amount of the 911 Fee is available to pay the debt service on the Metropolitan Council Bonds, as well as on the Bonds and other bonds issued by the Commissioner of Finance to finance the ARMER System. The State transfers 911 Fee Revenues to the Metropolitan Council in an amount sufficient to meet the necessary debt service fund requirements on the Metropolitan Council Bonds on a monthly basis on a similar schedule proposed for the Bonds. The State will continue to transfer 911 Fees for the Metropolitan Council Bonds on a priority basis before deposits to the Debt

Service Fund for the Bonds. The Metropolitan Council Bonds are callable at a redemption price of par plus accrued interest on February 1, 2007, with a final maturity on February 1, 2015.

Additional Bonds

The State reserves the right to issue additional bonds payable from the 911 Fee Revenues on a parity basis as to both principal and interest with the Bonds (the "Additional Bonds") provided that: (i) projected collections of the 911 Fee Revenues (including any 911 Fee Revenues derived from any increases in the 911 Fee that are authorized by the Minnesota Legislature and imposed by the State) shall not be less than 150 percent of the combined maximum annual debt service on the Bonds and any Additional Bonds in any succeeding Fiscal Year; and (ii) any reserve for the Bonds and Additional Bonds is funded to the requirement for such reserve as of the date of issuance of any Additional Bond. The Additional Bonds will be subject to the prior pledge of a portion of the 911 Fee Revenues to the Metropolitan Council Bonds as described under the caption "THE BONDS—The Metropolitan Council Bonds" in this Official Statement.

Defeasance

Upon satisfaction of certain terms and conditions specified in the Order, the Bonds or portions thereof will be deemed to be defeased and the pledge of the 911 Fee Revenues to the Bonds pursuant to the provisions of the Order will be discharged. The Bonds will be defeased if the State irrevocably deposits with the Paying Agent, in an escrow fund established exclusively for payment of the Bonds (the "Escrow Fund"), cash and/or Defeasance Obligations, maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient money to make timely payment of all principal of and interest on the Bonds when due. The State must also deliver to the Paying Agent on the date the Escrow Fund is established, an opinion of nationally-recognized bond counsel to the effect that such deposit will not adversely effect the tax exempt status of any Bonds. In addition, if such Bonds do not mature or will not be redeemed within ninety (90) days of such deposit of the cash and Defeasance Obligations in the Escrow Fund, a verification report of an independent certified public accounting firm as to the adequacy of the Escrow Fund to fully pay the Bonds proposed to be defeased must be delivered to the Paying Agent. Upon satisfaction of the foregoing, the Bonds will be secured solely by the cash and securities deposited with the Paying Agent in the Escrow Fund. See "APPENDIX D — SUMMARY OF THE COMMISSIONER'S ORDER" in this Official Statement.

Waiver of Immunity

Under Minnesota Statutes, Section 3.751, the State has waived immunity from suit with respect to the controversies arising out of its debt obligations incurred pursuant to Article XI of the Minnesota Constitution in which controversy a bondholder would be entitled to redress against the state in a court, if the state were suable. The State has conferred jurisdiction on State District Courts to hear and determine such controversies. Accordingly, if the State fails to pay in full the principal of or interest on the Bonds when due, a holder of a Bond on which principal of or interest is past due may be entitled to commence an action in the District Court for Ramsey County, Minnesota, with respect to any controversy with respect to which the bondholder is entitled to redress.

State Pledge Against Impairment of Contracts

Under Minnesota Statutes, Section 403.275, subdivision 9, the State pledges and agrees with the holders of the Bonds that the State will not limit or alter the rights vested in the Commissioner of Finance to fulfill the terms of any agreements made with the Bondholders, or in any way impair the rights and remedies of the Bondholders until the Bonds, together with interest on them, with interest on any unpaid

installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholder, are fully met and discharged. The Commissioner of Finance has included this pledge and agreement of the State in the Order.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix H for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the State to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds], together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for

such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not

guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of $11.0 billion (audited), total liabilities of $7.2 billion (audited), and total capital and surplus of $3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2006, MBIA had admitted assets of $11.3 billion (unaudited), total liabilities of $6.9 billion (unaudited), and total capital and surplus of $4.3 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2006 and for the six month periods ended June 30, 2006 and June 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's

Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006 are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington, D.C., (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

PROJECTED DEBT SERVICE SCHEDULE

The table on the following page sets forth the projected 911 Fee Revenues during the terms of the Bonds, the debt service requirements with respect to the Metropolitan Council Bonds, the remaining 911 Fee Revenues after payment of the debt service requirements on the Metropolitan Council Bonds, the debt service requirements with respect to the Bonds, the debt service requirements with respect to the Series 2008 Bonds, the combined debt service requirements with respect to the Bonds and the Series 2008 Bonds, and the annual debt service coverage ratio. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing on June 1, 2007. Principal of the Bonds is payable on June 1 of each year commencing on June 1, 2008. For purposes of this table, the 911 Fee Revenues have been assumed to remain unchanged from the projected revenues for Fiscal Year 2011 (except as otherwise noted in the table). For purposes of this table, the interest payment dates for the Series 2008 Bonds have been assumed to be the same as the interest payment dates for the Bonds.

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Projected Debt Service Schedule and Coverage Ratio

Period Ending June 30	Projections 911 Fees	Metropolitan Council Bonds	Remaining 911 Fees	Series 2006 Bonds P&I**	Series 2008 Bonds P&I**	Total 2006 and 2008 P&I**	Coverage on 2006 and 2008 Bonds After Met Council Bonds Paid
2007	$46,930,585	$1,404,953	$45,525,633	$ 766,262	$0	$ 766,262	5941%
2008	$46,737,925	$1,407,233	$45,330,693	$4,049,548	$0	$4,049,548	1119%
2009	$46,273,955	$1,411,418	$44,862,538	$4,048,538	$1,857,010	$5,905,548	760%
2010	$45,869,330	$1,412,168	$44,457,163	$4,047,283	$1,857,030	$5,904,313	753%
2011	$45,522,035	$1,415,418	$44,106,618	$4,045,483	$1,857,910	$5,903,393	747%
2012	$45,522,035	$1,414,828	$44,107,208	$4,047,830	$1,855,085	$5,902,915	747%
2013	$45,522,035	$1,419,715	$44,102,320	$4,048,805	$1,859,115	$5,907,920	747%
2014	$45,522,035	$1,419,375	$44,102,660	$4,048,080	$1,858,783	$5,906,863	747%
2015	$45,522,035	$1,424,250	$44,097,785	$4,045,320	$1,854,693	$5,900,013	747%
2016*	$44,097,785	$0	$44,097,785	$4,045,183	$1,856,780	$5,901,963	747%
2017*	$44,097,785	$0	$44,097,785	$4,047,103	$1,858,695	$5,905,798	747%
2018*	$44,097,785	$0	$44,097,785	$4,045,500	$1,856,730	$5,902,230	747%
	$545,715,325	$12,729,355	$532,985,970	$45,284,932	$18,571,830	$63,856,762	

* Under current law, upon retirement of the Metropolitan Council Bonds (see "SECURITY FOR THE BONDS—the Metropolitan Council Bonds" above), the 911 Fee is required to be reduced by the amount that was applied to the payment of the debt service on the Metropolitan Council Bonds. This would require a reduction of the 911 Fee in the amount of approximately $1,400,000 per annum (or approximately two cents (2¢) per customer access line per month of the current 911 Fee).

** Estimates only; subject to change. The debt service obligations on the Series 2006 Bonds and Series 2008 Bonds are within the apporpriated amounts of approximately $6,150,000.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds (including accrued interest and original issue premium), together with estimated earnings derived from the investment of such proceeds will be deposited in the 911 Revenue Bonds Proceeds Account (the "Proceeds Account") pending application to the purposes for which the Bonds are issued. A summary of the sources of funds is set forth in the following table:

Sources of Funds

Par amount of the Bonds	$35,000,000.00
Accrued interest	97,554.48
Net premium	2,298,618.60
Total	$37,396,173.08

The funds referred to in the preceding table will be disbursed from the Proceeds Account to finance the expenditures with respect to the Bonds and the ARMER System set forth in the following table:

Uses of Funds

Phase 3 Capital Costs, Phase 3 Enhancements and Phase 2 Enhancements[1]	$34,737,000.00
Deposit to Debt Service Fund[2]	2,396,173.08
Costs of issuance	263,000.00
Total	$37,396,173.08

[1] These costs are described in the following paragraph.

[2] The initial deposit to the Debt Service Fund will be comprised of the accrued interest on the Bonds and the original issue premium received upon the sale of the Bonds. Earnings derived from the investment of the proceeds of the Bonds will also be deposited in the Debt Service Fund when realized.

Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, subdivision 8(a), made an appropriation from the Proceeds Account of $8,000,000 to the Metropolitan Emergency Services Board to pay up to fifty percent (50%) of the cost to a local government unit of building a subsystem as part of Phase 2 of the ARMER System. Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, subdivision 8(c), made an appropriation from the Proceeds Account of $9,500,000 to the Commissioner of Public Safety to reimburse local units of government for up to fifty percent (50%) of the cost of building a subsystem of the ARMER System in the southeast district of the Minnesota State Patrol and the counties of Benton, Sherburne, Stearns, and Wright. Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, subdivision 8(b), made an appropriation from the Proceeds Account of $45,000,000 to the Commissioner of Transportation to construct the "system backbone" in Phase 3 of the public safety radio and communication system plan under Minnesota Statutes, Section 403.36.

The proceeds of the Bonds are expected to be expended in accordance with the following schedule: (i) approximately $20,000,000 will be expended from the date of issuance of the Bonds to June 30, 2007; and (ii) the remainder will be expended from June 30, 2007, to December 31, 2007

THE ARMER SYSTEM AND THE PROJECT

In 2002 the Minnesota Legislature directed the Minnesota Department of Public Safety, the Minnesota Department of Transportation, the Minnesota Department of Natural Resources, the Minnesota Department of Administration, and other parties to cooperatively develop a plan to design and implement an 800 MHz digital radio system throughout Minnesota. Minnesota's Allied Radio Matrix for Emergency Response (ARMER) uses the latest and most advanced technology to provide interactive communication capabilities that are not available with older radio systems. ARMER is designed to provide statewide radio coverage to state, county, city public safety officers, and government workers. The ARMER System will provide radio coverage to mobile radio users in ninety-five percent (95%) of the State, and on-the-street portable radio users in eighty-five (85%) to ninety percent (90%) percent of the State. In addition, the ARMER System will provide interoperability between users of the system and between users and non-users.

The statewide implementation of the ARMER System evolved from a regional implementaiton of the digital-trunked communication technology in the seven counties making up the Minneapolis-St. Paul Metropolitan Area plus the counties of Isanti and Chisago. A special purpose political subdivision was created in 1995 to implement the backbone of the regional system which is now referred to as Phase 1 of the ARMER System. The Phase 1 backbone was completed in 2001 with the Counties of Carver and Hennepin simultaniously implementing local improvements. Phase 2 of the ARMER System consists of continued enhancements to the Phase 1 backbone by county and local goverments. Final implementation for all seven counties in the Minneapolis-St. Paul Metropolitan Area is scheduled to be completed by the year 2008 with a portion of the proceeds of the Bonds and the Series 2008 Bonds allocated to pay up to fifty percent (50%) of the cost of local enhancements in Phase 2.

Phase 3 of the ARMER System involves the construction of digital-trunked communicaiton backbone in twenty-three (23) counties in the central district of the Minnesota State Patrol (St. Cloud) and in the southeast district of the Minnesota State Patrol (Rochester). Omsted County, which is part of the southeast district of the Minnesota State Patrol, and Stearns County, including the City of St. Cloud, which are part of the central district of the Minnesota State Patrol, have already constructed digital-trunked communication systems that will be integrated into the Phase 3 backbone. Proceeds of the Bonds will be used to construct the backbone in the twenty-three (23) counties. A portion of the proceeds of the Bonds will also be available to all counties in the sourtheast district of the Minnesota State Patrol and to the counties of Benton, Sherburne, Stearns, and Wright in the central district of the Minnesota State Patrol to fund up to fifty percent (50%) of the cost of local enhancements needed to provide local coverage and capacity in the Phase 3 implementation.

Implementation of the ARMER System is a cooperative endeavor between the Department of Transportation, the Department of Public Safety, and the Statewide Radio Board. Minnesota Statutes, Chapter 403, as amended ("Chapter 403"), provides that the Statewide Radio Board has overall responsibility for the ARMER System plan, including the technical and operational standards of the ARMER System. Chapter 403 also provides that the Commissioner of the Department of Public Safety is responsible for the implementation of the ARMER System and for contracting with the Department of Transportation for the construction, ownership, and operation of the communication infrastructure. As provided in Chapter 403, the Department of Public Safety and the Department of Transportation have executed a Memorandum of Understanding outlining their respective responsibilities and providing for the submission of detailed spending and implementation plans to the Department of Public Safety as the construction and implementation of the ARMER System proceeds. Approval of those spending and implementation plans by the Department of Public Safety is required before the Department of

Transportation may proceed with the implementation process and the Department of Public Safety is responsible for reporting such progress to the Statewide Radio Board in sufficient detail to allow oversight of the build-out of the ARMER System. The Department of Public Safety and the Statewide Radio Board are required to assure that the ARMER System is implemented in accordance with the approved plan and to assure that generally accepted project management principles and techniques are utilized in the implementation of the plan.

Additional information with respect to the ARMER System is included in "APPENDIX B — THE ARMER SYSTEM," including the latest "Report to Governor Pawlenty and the Minnesota Legislature, dated March 2005" prepared by the Statewide Radio Board in accordance with a statutory provision that requires a status report in conjunction with each biennial budget process. Financial information regarding the 911 Fee Revenues is set forth in "APPENDIX C — FINANCIAL INFORMATION" in this Official Statement.

RISK FACTORS

General

The Bonds are not general obligations of the State and are not secured by a pledge of the full faith and credit and taxing powers of the State.

The Bonds are issued pursuant to the Act and the Order. The Bonds are special, limited obligations of the State of Minnesota. The debt service on the Bonds will be payable solely from the 911 Fee Revenues.

The availability and sufficiency of the 911 Fee Revenues are subject to factors over which the Commissioner and the State have no control. Reductions in 911 Fee Revenues may result from reductions in the number of wireless telephone customers, reductions in the number of wire line telephone customers, reductions in the number of telephone customers who obtain telephone services through Voice Over Internet Protocol (VOIP), or a change in federal law that prevents the State from collecting 911 Fees from telephone customers who obtain telephone services through VOIP. Reductions in the 911 Fee Revenues to pay debt service on the Bonds, even if not sufficient to result in the inability to pay debt service on the Bonds when due, could result in the reduction of the then existing credit ratings assigned to the Bonds by the Rating Agencies. A reduction in the credit ratings assigned to the Bonds would likely reduce their market value and might adversely affect their marketability. These and other risk factors affecting the Bonds are discussed below and should be reviewed by prospective purchasers of the Bonds prior to making any decision to purchase any Bonds.

In the event the 911 Fee Revenues are not sufficient to pay debt service on the Bonds when due, the Commissioner has no authority under State law to pay such debt service from any other source. The Commissioner is prohibited from paying debt service on the Bonds from any source other than the 911 Fee Revenues.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used such as "plan," "expect," "estimate," "budget," or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by

such forward-looking statements. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions, or circumstances on which such statements are based, occur or do not occur.

Technology Factors

The 911 Fee will continue to be assessed to each customer in the State who utilizes telephone service via a wireless telephone, a wire line telephone, or telephone service that utilizes voice over Internet Protocol and which provides access to the 911 emergency telecommunications systems for rapid access to emergency services for consumers. Technology innovations in the communictions industry have been particularly rapid and significant in the last decade and future innovations could result in a reduction in the use of wireless, wire line, and VOIP telephone services. Such technological changes would have to be very substantial and even drastic in nature and scope in order to result in a default in the payment of principal of or interest on the Bonds. Nevertheless, predictions regarding the future of the communications industry have not been reliable in the past and may not be accurate as to the future developments.

No Security Interest or Mortgage

Minnesota Statutes, Section 475.78, provides that Article 9 of the Uniform Commercial Code (adopted in Minnesota as Minnesota Statutes, Sections 336.9-101 to 336.9-709, as amended) does not apply to security interests created by the State, except security interests in equipment and fixtures. No security interest has been granted to the Bondholders in any of the physical assets, including equipment and fixtures, acquired with the proceeds of the Bonds. Therefore, no security interest in any assets have attached to or been perfected with respect to any security for the Bonds or any other assets.

The obligation of the Commissioner to make timely payments of the principal of and interest on the Bonds is not secured by a mortgage on any real property financed with the proceeds of the Bonds. Consequently, in the event the 911 Fee Revenues are not sufficient to pay the debt service on the Bonds, the Bondholders have no right to require the sale of any real property nor any interest in the sale proceeds of any such assets.

Minnesota Statutes, Section 403.275, subdivision 7, provides, in effect, that the pledge of the 911 Fee Revenues made by the Commissioner of Finance with respect to the Bonds is valid and binding from the time the pledge is made. The 911 Fee Revenues pledged and later received by the Commissioner are immediately subject to the lien of the pledge without any physical delivery of such money or further act, and the lien of any pledge is valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the Commissioner, whether or not those parties have notice of the lien or pledge. Neither the Order of the Commissioner nor any other instrument by which a pledge is created need be recorded.

Limited Enforcement of Bonds and Order

The Bonds and the Order authorizing the issuance of the Bonds can only be enforced in accordance with the provisions of the Order limiting the Bondholders' enforcement rights and requiring enforcement in the District Court for Ramsey County, Minnesota. The rights and remedies of the Registered Owners of the Bonds may be limited or rendered ineffective by judicial decisions or the application of principles of equity relating to or affecting the enforcement of creditor's rights or contractual obligations generally.

No Trustee

The Commissioner will not appoint a national or state bank or trust company to act as trustee on behalf of the Bondholders, to hold and invest sums on deposit in the Proceeds Account or the Debt Service Fund, to hold and invest money transferred to the Debt Service Fund until used to pay debt service on the Bonds, or to enforce any rights of the Bondholders under the Act or the Commissioner's Order authorizing and directing the issuance of the Bonds. Therefore, the Bondholders will be placing substantial reliance upon the Commissioner to comply with the provisions of the Act and the Order with respect to the rights of the Bondholders.

TAX EXEMPTION AND COLLATERAL TAX MATTERS

In the opinion of Kennedy & Graven, Chartered, bond counsel, according to present federal and Minnesota laws, regulations, rulings, and decisions, interest on the Bonds (i) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates, and trusts for Minnesota income tax purposes; (ii) is subject to Minnesota franchise taxes imposed on corporations and financial institutions; (iii) is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates, and trusts; and (iv) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

The form of legal opinion to be issued by Kennedy & Graven, Chartered with respect to the Bonds is set forth in "APPENDIX F — FORM OF BOND COUNSEL OPINION."

Continuing Compliance with the Code

Failure to comply with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and certain regulations promulgated thereunder, may cause interest on the Bonds to become subject to federal and Minnesota income taxation retroactive to the date of issuance of the Bonds. These provisions include investment restrictions, required periodic payments of certain arbitrage earnings to the United States, and requirements concerning the timely and proper use of the proceeds of the Bonds and the facilities and activities financed therewith and certain other matters. The documents authorizing the issuance of the Bonds include provisions which, if complied with by the State, meet the requirements of the Code. Such documents also include a covenant of the Commissioner to take all legally permissible actions necessary to preserve the tax exemption of interest on the Bonds. However, no provision is made for redemption of the Bonds or for an increase in the interest rate on the Bonds in the event that interest on the Bonds becomes subject to federal or Minnesota income taxation.

Future Tax Legislation

The exclusion of interest on the Bonds from gross income for federal income tax purposes and the exclusion of interest on the Bonds from the net taxable income of individuals, estates, and trusts for State of Minnesota income tax purposes is not mandated or guaranteed by the United States Constitution or the Minnesota Constitution. Accordingly, federal laws providing that interest on the obligations of the states and the political subdivisions of the states is not includable in gross income for federal income tax purposes and Minnesota laws providing that interest on the obligations of the State is not includable in the net taxable income of individuals, estates, and trusts for State of Minnesota income tax purposes may be subject to change. In the event federal or Minnesota law is amended in a manner that results in interest on the Bonds becoming subject to federal or Minnesota income taxation, or if federal or Minnesota income tax rates are reduced, the market value of the Bonds may be adversely affected.

Future Judicial Decisions

Minnesota Statutes, Section 289A.50, subdivision 10, enacted in 1995, includes a statement of legislative intent that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, trusts, and estates for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest unlawfully discriminates against interstate commerce because interest on obligations of governmental issuers in other states is so included. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued. To the knowledge of the Commissioner, courts in only two states have addressed whether a state's exemption of interest on its own bonds or those of its political subdivisions, but not of interest on the bonds of other states or their political subdivisions, unlawfully discriminates against interstate commerce or otherwise contravenes the United States Constitution. A court in Ohio decided in 1994 that the Ohio law was not unconstitutional. On the other hand, the Kentucky Court of Appeals held early in 2006 that the Kentucky law violated the Commerce Clause, although this decision has been appealed. The Commissioner cannot predict the likelihood that interest on the Bonds would become includable in the net taxable income of individuals, estates, and trusts for Minnesota income tax purposes under Section 289A.50, subdivision 10.

Premium Bonds

The Bonds are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium must, from time to time, reduce their federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.

Collateral Tax Matters

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability and the Minnesota income tax liability of the Bondholders. The extent of these other tax consequences will depend upon each Bondholder's particular tax status and other items of income or deduction. Bond counsel expresses no opinion regarding any such collateral tax matters.

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and Railroad Retirement benefits to take into account interest on the Bonds in determining the taxability of such benefits.

Passive investment income, including interest on the Bonds, may be subject to taxation under Section 1375 of the Code and corresponding provisions of Minnesota law for an S corporation that has accumulated earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of its gross receipts is passive investment income.

Interest on the Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code.

In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent (15%) of the interest on the Bonds that is received, or accrued during the taxable year.

Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest expense in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. In the case of a financial institution, no deduction is allowed under the Code for that portion of the holder's interest expense which is allocable to interest on the Bonds within the meaning of Section 265(b) of the Code.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from the ownership, disposition, or receipt of interest on the Bonds. Prospective purchasers or Bondholders should consult their tax advisors with respect to collateral tax consequences and applicable state and local tax rules in states other than Minnesota.

ENFORCEABILITY OF OBLIGATIONS

The Bonds are to be payable from the 911 Fee Revenues. In the event the 911 Fee Revenues are not sufficient to pay the principal of and interest on the Bonds when due, the remedies of the Bondholders are likely to be limited or unavailable. Furthermore, any remedies that may be available to the Bondholders will be dependent upon judicial actions which are often subject to discretion and delay. A court may determine not to order the specific performance of covenants contained in the Order. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws affecting remedies and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights.

LEGAL OPINION

Legal matters incident to the authorization, issuance, and sale of the Bonds will be passed upon by Kennedy & Graven, Chartered, bond counsel. Kennedy & Graven, Chartered will also deliver its opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes and the exclusion of interest on the Bonds from the net taxable income of individuals, estates, and trusts for State of Minnesota income tax purposes. The form of legal opinion to be issued by Kennedy & Graven, Chartered with respect to the Bonds is set forth in "APPENDIX F — FORM OF BOND COUNSEL OPINION."

LITIGATION

There is not now pending or threatened any litigation seeking to restrain or enjoin the sale, issuance, execution, or delivery of the Bonds, or in any manner questioning or affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be issued and sold. There is not now pending or threatened any litigation seeking to restrain or enjoin the imposition of the 911 Fee or seeking to restrain or enjoin the collection and disposition of the 911 Fee Revenues in accordance with the terms and conditions of the Order.

CONTINUING DISCLOSURE

The Commissioner, in the Order authorizing and ordering the issuance of the Bonds, has covenanted and agreed on behalf of the State, for the benefit of the holders of the Bonds from time to time, to comply with the provisions of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized securities repositories and any Minnesota state information depository, annual financial information of the type included in this Official Statement and notice of the occurrence of events which materially affect the terms, payment, security, rating, or tax status of the Bonds. The State is the only "obligated person" in respect of the Bonds within the meaning of paragraph (b)(5). Additional information with respect to such continuing disclosure obligations is set forth in "APPENDIX E — CONTINUING DISCLOSURE UNDERTAKING" in this Official Statement.

FINANCIAL ADVISOR

The State has retained Ehlers & Associates, Inc., as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. Certain financial information included in this Official Statement has been compiled by the Financial Advisor. Such compilation by the Financial Advisor is not a review, audit, or certified forecast of future events, and may not conform with accounting principals applicable to compilations of financial information. The Financial Advisor is not a firm of certified public accountants.

UNDERWRITING

The Commissioner acting on behalf of the State has sold the Bonds at public sale to Raymond James & Associates, Inc., as underwriters (the "Underwriters"), for a price of $37,298,618.60 and accrued interest. The Underwriters have advised the Commissioner that they will offer the Bonds to the public at the initial public offering prices set forth on the cover page of this Official Statement, and that after the Bonds are released for sale to the public, the offering prices and other selling terms may vary from time to time.

RATINGS

The Bonds described herein have been rated "Aaa" by Moody's Investors Service, Inc., "AAA" by Standard and Poor's Ratings Group, and "AAA" by Fitch Ratings conditioned upon the issuance by MBIA Insurance Corporation of it Financial Guaranty Insurance Policy with respect to the Bonds. The ratings reflect only the views of these Rating Agencies. Any explanation of the significance of such

ratings may only be obtained from the respective Rating Agencies. For an explanation of the ratings as described by those services see "APPENDIX G — DEFINITION OF RATINGS." The bonds have been assigned an underlying rating of "A2" by Moody's Investors Service, Inc., "AA+" by Standard and Poor's Ratings Group, and "AA-" by Fitch Ratings. There is no assurance that a rating will remain in effect for any given period of time or will not be lowered or withdrawn entirely by the Rating Agencies if, in their respective judgments, circumstances so warrant. A revision or withdrawal of the ratings may have an adverse effect on the market price and the marketability of the Bonds.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The summaries and descriptions contained in this Official Statement and the Appendices hereto of the provisions of the Bonds, the Order, and the Continuing Disclosure Agreement and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or described all of the provisions thereof.

AUTHORIZATION OF OFFICIAL STATEMENT

The State has prepared and delivered this Official Statement to the Underwriters of the Bonds and has authorized the Underwriters to use it in connection with the offering and sale of the Bonds to investors.

As of the date of issuance of the Bonds, the Underwriters will be furnished with a certificate signed by the Commissioner of Finance stating that, as of the date of the Official Statement, the Official Statement did not and does not, as of the date of the certificate, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Peggy S. Ingison
Commissioner of Finance
State of Minnesota

APPENDIX A

DEFINED TERMS

For purposes of this Official Statement and the Commissioner's Order the following terms have the following meanings:

"Act" means Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, and Minnesota Statutes, Chapter 403, as amended.

"Additional Bonds" means any bonds payable from the 911 Fee Revenues on a parity basis as to both principal and interest with the Bonds

"ARMER System" means Allied Radio Matrix for Emergency Response system.

"Beneficial Owner" means, in respect of a Bond, any person or entity which 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 is treated as the owner of the Bond for federal income tax purposes.

"Bondholder" means the Registered Owner and the Beneficial Owner of any Bond.

"Bonds" means the 911 Revenue Bonds (Public Safety Radio Communications System Project), Series 2006 (the "Bonds"), to be issued by the State in the original aggregate principal amount of $35,000,000.

"Bond Register" means the bond register kept at the principal office of the Registrar in which the Registrar provides for the registration of ownership of all Bonds and theregistration of transfers and exchanges of Bonds entitled to be registered, transferred, or exchanged.

"Business Day" means any day on which commercial banks located in the State are open for commercial business.

"Commissioner" or the "Commissioner of Finance" means the Commissioner of Finance of the State.

"Continuing Disclosure Undertaking" means the Continuing Disclosure Undertaking, dated November 1, 2006, given by the Commissioner for the purpose of complying with SEC Rule 15c2-12(b)(5).

"Debt Service Fund" means the fund established pursuant to Section 6.02 of the Order.

"Direct Participant," "Indirect Participant," and "Participant" have the meanings assigned to such terms under the caption "BOOK ENTRY SYSTEM" in this Official Statement.

"DTC" means The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

"Financial Advisor" means Ehlers & Associates, Inc.

"Fiscal Year" means the twelve-month period commencing on July 1 of a year and ending on June 30 of the following year.

"Fitch" means Fitch Ratings.

"Metropolitan Council Bonds" means the Revenue Bonds (Metropolitan Radoo Board Series 1999C), issued by the Metropolitan Council on November 18, 1999 in the original principal amount of $14,280,000

"Moody's" means Moody's Investors Service, Inc.

"911 Fee" means a fee of currently sixty-five cents (65¢) per month assessed to each customer in the State who utilizes telephone service via a wireless telephone, a wire line telephone, or telephone service that utilizes voice over Internet Protocol.

"911 Fee Revenues" means the revenues derived from imposition of the 911 Fee.

"Order" means the Order of the Minnesota Commissioner of Finance for the Issuance and Sale of $35,000,000 911 Revenue Bonds (Public Safety Radio Communications System Project) Series 2006, dated November 1, 2006, executed by the Commissioner pursuant to the Act, authorizing the sale and issuance of the Revenue Bonds and providing for the payment and security of the Revenue Bonds, and any order of the Commissioner amending this Order.

"Outstanding" means all Bonds, except: (i) Bonds theretofore canceled by the Registrar or delivered to the Registrar canceled or for cancellation; (ii) Bonds which have been discharged as provided in Section 5.08 of the Order; and (iii) Bonds in exchange for or in lieu of which other Bonds have been issued and delivered in accordance with the Order or other order of the Commissioner authorizing their issuance.

"Permitted Investments" means investments authorized by Minnesota Statutes, Section 11A.24, or any successor statute.

"Premium Bonds" means Bonds having a stated maturity in the years 2008 through 2018 being sold at a premium over the principal amount payable at maturity.

"Proceeds Account" means the 911 Revenue Bonds Proceeds Account established pursuant to the Act and the terms of the Order.

"Rating Agencies" means Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch Ratings.

"Registered Owner" means the person or entity in whose name ownership of a Bond is recorded on the Bond Register maintained by the Registrar.

"Registrar" means The Bank of New York Trust Company, N.A., in Dallas, Texas, and any successor entity, acting as bond registrar and paying agent for the Bonds under the Order.

"S&P" means Standard and Poor's Rating Services, a division of the McGraw-Hill Companies, Inc.

"Series 2008 Bonds" means an additional series of 911 Revenue Bonds (Public Safety Radio Communications System Project) to be issued in late calendar year 2007 or early calendar year 2008 in the approximate principal amount of $14,000,000.

"State" means the State of Minnesota.

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APPENDIX B

THE ARMER SYSTEM

Minnesota Department of Public Safety Information Sheet — July 2005

Minnesota Department of Public Safety, Statewide Radio Board
Report to Governor Pawlenty and the Minnesota Legislature
March 2005

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Minnesota Department of Public Safety Information Sheet — July 2005

Allied Radio Matrix for Emergency Response (ARMER)

Communication is cited most often as the primary disaster response problem. Aging communication infrastructure, the lack of frequencies, interoperability across bands and interoperability across systems, add up to a critical need to improve Minnesota's public safety communication infrastructure. The events of Sept. 11, 2001 have only served to increase the importance of interoperable public safety communication as a state and national priority. The “800 MHz Executive Team Report” to the 2001 Minnesota Legislature (www.dot.state.mn.us/oec/ statewide/statewideinfo.html) requires a coordinated response through the development of the Statewide Public Safety Radio Communication Plan.

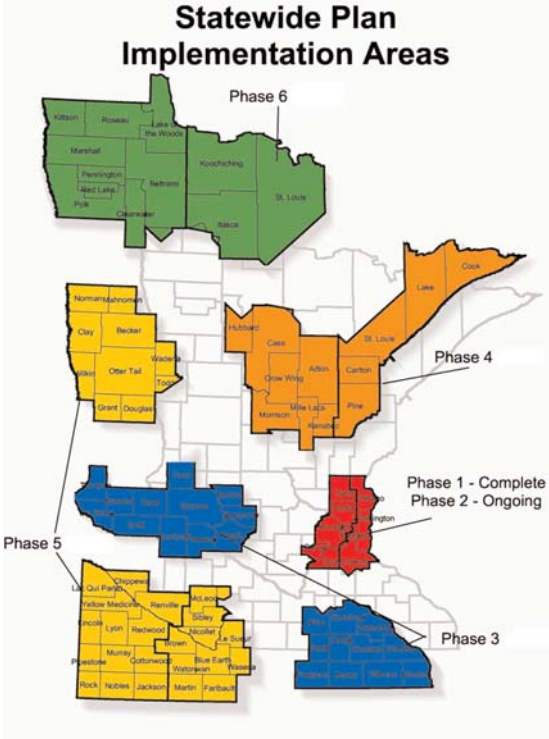
This communication priority is also reflected in Minnesota's 2004 Homeland Security Strategy and Assessment, Goal 7:

"Implement a statewide system of interoperable communication for local and state resources to be more effective and efficient in ensuring the safety of the citizens and emergency responders in Minnesota."

Statewide Public Safety Radio Communication Plan

The objectives of this goal is to provide for the planning and development of a statewide interoperable trunked radio system to replace the existing diverse and antiquated analog communication systems.

This plan provides for a phased statewide development of the radio system infrastructure. The plan calls for six phases, with Phase 1 covering the initial backbone construction in the seven county metropolitan area plus Chisago and Isanti counties. Phase 2 included local enhancements to the initial backbone in the seven county metropolitan area.



Phases of Development

Phase 1 – Basic communication backbone and interoperability infrastructure completed December 2002, which included local enhancements to Carver County, Minneapolis and portions of Hennepin County.

Phase 2 – Additional local enhancements to Phase 1 backbone.

Phase 3 – St. Cloud and Rochester State Patrol districts.

Phase 4 – Brainerd and Duluth State Patrol districts.

Phase 5 – Marshall, Mankato and Detroit Lakes State Patrol districts.

Phase 6 – Thief River Falls State Patrol district.

Allied Radio Matrix for Emergency Response (ARMER)

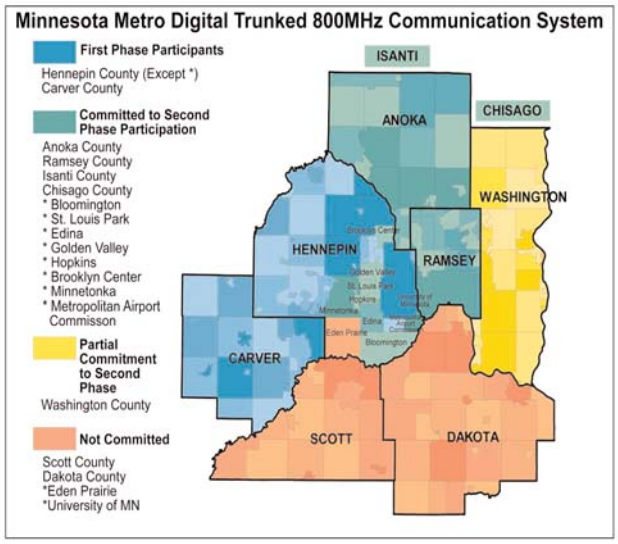
continued

Phase 1

The planning and development of Phase 1 began in 1995 with the formation of the Metropolitan Radio Board (MRB). The statute creating the MRB provided that the Department of Transportation would own, operate and maintain the shared trunked radio system. The initial backbone, which included basic communication and interoperability infrastructure, cost approximately $36 million. It was funded by the state and through revenue bonds supported by a dedicated portion of the 911 fees. Phase 1 improvements, which included coverage, capacity, mobile and portable radios, in Carver and Hennepin counties and Minneapolis cost approximately $32 million. This was paid for by the local entities.

Phase 2

Phase 2, which includes additional local expansion to the Phase 1 backbone, has proceeded as indicated in the following metro area map.



For Phase 2:

- Anoka County has completed its transitioned to the regional shared trunked radio system.
- Hennepin County non-dependent communities (Bloomington, St. Louis Park, Edina, Golden Valley, Hopkins, Brooklyn Center, Minnetonka and the Metropolitan Airport Commission) are in the transition process.
- Ramsey and Dakota Counties are in the final stages of thier transition.
- Isanti, Scott and Washington Counties have initiated planning processes designed to formulate plans for their future transition.

Isanti and Chisago counties were added to the metro region for local enhancements by the 2004 Legislature. These counties were part of the Phase 1 build out.

Phase 2 implementation was aided by the allocation of $7.5 million from 2003 Homeland Security and Emergency Management (HSEM) funds, which purchased public safety portable and mobile radios for local communities. Additional HSEM funds were allocated to cover a portion of local costs of developing to the interoperable radio system. The funds were allocated as follows:

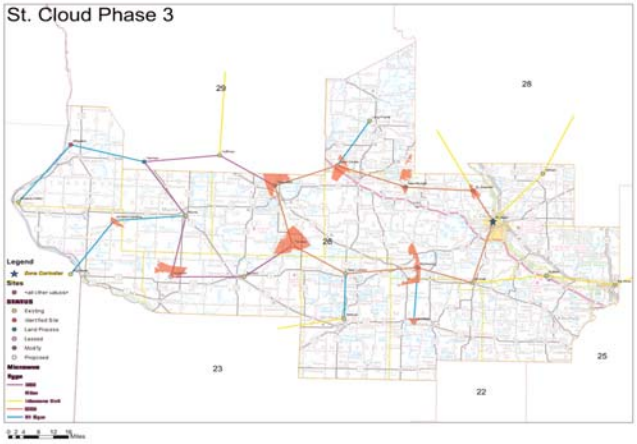
Anoka County	$2.1 million
Dakota County	$4.48 million
Hennepin County	$4.46 million
Ramsey County	$4.29 million

Phase 3

The 2005 Minnesota Legislature provided $45 million to fund Phase 3 infrastrucutre outside the metropolitan area. A portion of the 911 fees will be used to finance $45 million in revenue bonds for that purpose. Phase 3 calls for the development of the basic communication and interoperability infrastructure in the St. Cloud (central) and Rochester (southeast) districts of the State Patrol.

Allied Radio Matrix for Emergency Response (ARMER)

continued



2003 HSEM funds were allocated for local enhancements to the basic communication and interoperability infrastructure. St. Cloud received $2.9 million, and Rochester and Olmsted County received $2.1 million. Additional HSEM funds were also allocated in 2004 and 2005 to provide continued expansion of the basic communication infrastruture throughout Olmsted and Stearns County.

The 2005 Minnesota Legislature authorized the the sale of $9.5 million in additional 911 revenue bonds to pay up to 50% of the costs of local enhancements in the southeast district of the state patrol and in the counties of Benton, Sherburne,Stearns and Wright central district of the State Patrol. The 2005 legislature also expanded the sales tax exemption for ARMER infrastrucutre and equipment in those areas.

ARMER Governance Structure

With the completion of the Phase 1 backbone in the metropolitan area, there was a need to shift from a regional to a statewide emphasis. The 2004 Minnesota Legislature created the Statewide Radio Board (SRB) out of the Statewide Public Safety Radio and Communication Planning Committee. The SRB is composed of twenty-one members, including the following:

- Commissioner of Public Safety – Chair
- Commissioner of Transportation
- Commissioner of Natural Resources
- Commissioner of Administration
- Commissioner of Health
- Commissioner of Finance
- Chief of the Minnesota State Patrol
- Chair of the Metropolitan Emergency Services Board
- A regional radio board representative
- Local officials as follows (one from metro and one from greater Minnesota):
  - Two elected city officials
  - Two elected county officials
  - Two sheriffs
  - Two chiefs of police
  - Two fire chiefs
  - Two emergency medical service providers

Current membership on the SRB can be found at www.armer.state.mn.us.

Allied Radio Matrix for Emergency Response (ARMER)

continued

The SRB's function is to administer and oversee the Statewide Radio Plan and the technical and operating standards for the system. The 2004 Minnesota Legislature also provided for the creation of regional radio boards to determine and administer regional enhancements, and facilitate local and regional integration onto the statewide interoperable radio system.

Current Status

Currently, approximately 38 percent of public safety officials (based upon population covered) in the metropolitan area are operating on the regional interoperable radio system. That figure will increase to 87 percent by the end of 2005 when Hennepin County (agencies not served by Hennepin County Sheriff's Radio Dispatch) and Ramsey County have completed their transition to the regional interoperable radio system. The transition of Dakota and Ramsey counties to the regional system will bring the local commitment for infrastructure to $59.2 million. The percentage of public safety officials operating on the system will increase with the addition of Dakota County in 2006.

With the allocation of $45 million to the continued expansion of a statewide interoperable communication system, the Statewide Radio Board, the Department of Public Safety and the Department of Transpsortation are formulating their construction plans.

For more information, contact Ron Whitehead, ARMER Project Manager, Department of Public Safety at 651-296-5778. 9/04

REPORT
To
Governor Pawlenty
And
The Minnesota Legislature

March 2005

Minnesota Department of Public Safety,
Statewide Radio Board

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Background

The Statewide Radio Board was created by the 2004 legislature.[1] It is the successor to the ARMER[2] and Communication Planning Committee (herein after "Planning Committee") which was formulated following the Department of Transportation's 2001 report to the legislature, 800 MHz Executive Team Report to the 2001 Minnesota Legislature, 800 MHz Statewide Shared Public Safety Radio System. The Planning Committee was originally charged with refining the statewide public safety radio and communication radio plan (herein after "the Plan") and to begin overseeing the implementation of an interoperable shared public safety radio and communication system throughout the state of Minnesota. The Plan calls for a phased expansion of the basic communication and interoperability infrastructure throughout the state with provision for local and regional enhancements to provide interoperable public safety communication at all levels throughout the state. The Public Safety Statewide Radio Project, Project Plan and Scope Statement which was submitted to the legislature in December 2002 provides additional information on the project plan and scope.

The Plan built upon the development of a regional shared public safety radio system built in the Minneapolis/St. Paul metropolitan area. That initial implementation was accomplished by the Metropolitan Radio Board, which was created in 1995 as a special purpose political subdivision of the State of Minnesota. The Metropolitan Radio Board's charge was to "supervise the implementation of the regionwide public safety radio system communication plan" and to "ensure that the system is built, owned and operated, and maintained in accordance with the plan."[3] In developing a regional public safety radio system the Minnesota Department of Transportation was designated to "own, operate, and maintain those elements identified … as the first phase."[4] The fundamental plan also provided the opportunity for local and regional enhancements to create a shared interoperable public safety radio communication. In June of 2002 the basic communication and interoperability infrastructure became operational.

In this first phase of development, the Metropolitan Radio Board served a joint role of implementing the basic communication and interoperability infrastructure and in encouraging and coordinating the participation of local and regional public safety agencies. The 2004 legislation creating the Statewide Radio Board also provided for a transition of the Metropolitan Radio Board to a regional radio board with continuing authority to coordinate local enhancements to the basic communication and interoperability infrastructure. With that transition the Statewide Radio Board was charged with the authority to establish and enforce technical and operational standards over the basic communication and interoperability infrastructure throughout the state, including infrastructure previously under the control of the Metropolitan Radio Board.[5]

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[1] Minnesota Laws 2004, Chapter 201.
[2] ARMER is defined in Minnesota Statutes, § 403.38, subdivision 1 as Allied Radio Matrix for Emergency Response.
[3] Minnesota Statutes § 403.23, subdivision 4.
[4] Minnesota Statutes § 403.23, subdivision 13.
[5] Minnesota Statutes § 403.38.

Report Requirement

This report is required under Minn. Stat. § 403.36, subd. 4, which provides as follows:

> "In conjunction with each biennial budget process, the Statewide Radio Board must submit a status report to the governor and to the chairs and ranking minority members of the house and senate committees with jurisdiction over capital investment and criminal justice funding and policy. The report must include a substantive assessment and evaluation of each significant part of the implementation of the statewide public safety radio plan with (1) to the extent possible, an update on risks and mitigation strategies; and (2) quantitative information on the status, progress, costs, benefits, and effects of those efforts."

This report requirement provides for a periodic report to the Governor and to the Legislature upon the following topics:

- A description of the status of the plan implementation, including
  - Progress
  - Costs
  - Benefits
  - Effects
- An assessment of risks and mitigation strategies

<u>Status of Plan Implementation</u>

Phase One

As previously indicated, Phase One of the Plan was cooperatively implemented by the Metropolitan Radio Board and the Minnesota Department of Transportation. The basic communication and interoperability infrastructure became operational in June of 2002. Carver County, Hennepin County and the City of Minneapolis were part of the initial implementation adding infrastructure as necessary to provide additional coverage and capacity for local needs. The initial infrastructure was funded with $36 million from the following sources:

$ (Millions)	Source
7.5	State General Obligation Bonding
7.5	State Trunk Highway Funds
13.3	Revenue Bonds backed by 4-cent per month 911 surcharge
3.0	Metro Council General Obligation Bonds on behalf of Metro Transit
4.7	Combination of Interest Earned and Cash from 9-1-1 surcharge
$36.0	

Table 1- Radio System Infrastructure Sources of Funding

In addition to the appropriations for the system infrastructure, the legislature appropriated $ 9.4 million of operating funds to Mn/DOT. $ 1.4 million was a permanent biennial base adjustment to cover Mn/DOT's operational and maintenance costs of the system. The remainder was a one-time appropriation available until expended for Mn/DOT and State Patrol ancillary equipment (mobile radios, portable radios, dispatch console equipment, etc.).

A breakdown of what was acquired with the $ 36 million dollars is as follows:

Acquisition	$ (Millions)	Percentage
Site Development / Civil Construction	5.9	16.4%
Equipment (800 MHz, Microwave, Interoperability)	22.8	63.3 %
Vendor Installation	2.9	8.1%
Vendor Program Management	3.2	8.9 %
Performance Bond / System Staging / Freight	1.2	3.3 %
Total	$36.0	100.0%

Table 2- Radio System Infrastructure Acquisition

Local Enhancements/First Phase- The following local enhancements were completed as part of the First Phase implementation:

Hennepin County

Population: 1,116,200 (including Minneapolis). Hennepin county constructed a sub-system for coverage throughout Hennepin County. All county users and all communities dependent upon Hennepin County Sheriff's Office for dispatch services and the City of Richfield transitioned to the regional system at that time.

Cost: $19,000,000

Carver County

Population: 70,205 Carver County enhanced the basic infrastructure added channels (improve capacity) and added a tower (improve coverage) to provide for county and local users.

Cost: $2,400,000

Minneapolis

The City of Minneapolis constructed a sub-system for coverage throughout Minneapolis.

Cost: $5,800,000

North Memorial also completed its dispatch connection at a cost of $250,000 and the Metropolitan Council reportedly invested an additional $2.4 million to increase capacity as part of the First Phase. The $32.85 million in funding for local enhancements was from local sources. At the time, there was no funding assistance available to local users.

Phase Two- Local Enhancements to Phase One

The second phase of development contemplates the completion and integration of local users with the regional system throughout the metropolitan area. The Metropolitan Radio Board and its successor regional radio board will continue to provide coordination of regional and local enhancements within the metropolitan area. The following local enhancements are underway or anticipated within the metropolitan area::

Anoka County

- Anoka County (Population: 298,084)
  Implementation: Fall 2004
  Subscriber Unit Count: 1,115

  Anoka County began its implementation of a transition to the ARMER system in the fall of 2004. The overall cost of implementation was $8,315,012. Of that amount, $2,078,753 was funding with 2004 Homeland Security Funds.

Hennepin County

- Hennepin County (Population: 1,116,200)
  Original Implementation: June 2002
  Additional Implementation: On going
  Current Subscriber Count: 4,085
  Additional Subscribers (est.) 300

Although Hennepin County transitioned to the regional system for some users as part of the First Phase, a number of local communities did not transition at that time. 2003 HSEM funds were allocated to a number of these communities for police and fire portable radios and, as a result, all remaining communities in Hennepin County, except, Eden Prairie, anticipate transitioning to the regional radio system during the later half of 2004 or first quarter of 2005. The principal

cost of infrastructure for this transition is increased capacity to Hennepin's sub-system, the addition of a base radio site in the City of Bloomington and dispatch center connectivity. The cost of that additional infrastructure is $7,674,770, of which $4,463,873 of 2004 Homeland Security funds were allocated to Hennepin County for these improvements.

The original legislation creating the Metropolitan Radio Board did not include Chisago and Isanti Counties. As part of the Phase One development, the basic communication and interoperability infrastructure was implemented in Chisago and Isanti Counties by the Department of Transportation to provide continuity of communications for the metro districts of the Minnesota State Patrol. Those counties were subsequently added to the Phase Two planning and implementation by the 2004 legislature.

Chisago County

- Chisago County (Population: 41,101)
  Basic Implementation: None
  Current Subscriber Count: Unknown

2003 Homeland Security funds were allocated to Chisago County to add additional capacity to the basic infrastructure. Those funds were also used to acquire a number of subscriber units to provide basic communication capability with adjoining communities. Preliminary estimates of the capital costs to transition to the regional radio system for Chisago County are very speculative and would incorporate Chisago County into the Washington County simulcast group for system efficiency purposes. Those costs are estimated to be $8,067,455.

Isanti County

- Isanti County (Population: 31,287)
  Basic Implementation: none
  Est. Subscriber Count: Unk

2003 Homeland Security funds were allocated to Isanti County to add additional capacity to the basic infrastructure. Those funds were also used to acquire a number of subscriber units to provide basic communication capability with adjoining communities. Preliminary estimates of the capital costs to transition to the regional radio system for Isanti County are very speculative and would incorporate Chisago County into the Anoka County simulcast group for system efficiency purposes. Those costs are estimated to be $8,254,485.

Ramsey and Dakota County Planning

Significant planning activity is underway in Ramsey and Dakota County as follows:

- Ramsey County (population: 511,035)
  Basic Implementation: 2005
  Est. Subscriber Count: 2,400

Ramsey County is actively planning their transition to the ARMER system. Their local plan has been approved by the Metropolitan Radio Board and they have executed contracts with vendors. Ramsey County has taken a countywide approach, including both the county and local users in their transition process. The estimated cost of local infrastructure improvements for coverage and capacity are $11,676,529. 2004 Homeland Security funds were allocated to Ramsey County in the amount of $4,290,866. $3,416,235 in 2003 Homeland Security funds were allocated to Ramsey County for public safety subscriber units.

- Dakota County (population: 355,904)
  Basic Implementation: Possibly 2006
  Est. Subscriber Count: 1,900

Dakota County is actively planning their transition to the ARMER system. The estimated cost of local enhancements to provide coverage and capacity is $7,995,819 (towers and site equipment) and $3,999,840 (dispatch connections and equipment). $4,480,000 in 2005 Homeland Security funds have been allocated to Dakota County for infrastructure improvements. $123,200 was allocated to Dakota County from 2003 Homeland Security funds for subscriber units.

Scott and Washington County Initial Planning

Initial planning activities have begun in Scott and Washington County. There is a need for further refinement to these plans, but each county has initiated active discussion of their potential integration to the ARMER system.

- Scott County (population: 89,498)
  Basic Implementation: No date specified
  Subscriber units None

The Scott County Board has initiated preliminary discussions concerning its potential transition to the ARMER system. The county is currently involved in constructing a new public safety facility and does plan upon integrating its dispatch center into the ARMER system, providing added interoperability and connectivity to the system. Very preliminary estimates of the cost to integrate Scott County into the ARMER system were made by the Metropolitan Radio Board. The cost was estimated at $3,949,144. Scott County has not received any Homeland Security funds for communication infrastructure.

- Washington County (population: 201,130)
  Basic Implementation: Planned 2009
  Subscriber Count: Unknown

The Washington County Board is currently considering its transition plan to the ARMER system. That transition has been factored into the county's capital improvement budget in 2009. Preliminary estimates of the cost to integrate

Washington County into the ARMER system were made by the Metropolitan Radio Board at $4,765,419. 2003 Homeland Security funds were allocated to Washington County in the amount of $603,400 for public safety subscriber units. Similar to Chisago and Isanti Counties, Washington County funded basic capacity improvements to the backbone within the county and has distributed a number of subscriber units to public safety entities within the county to provide communication interoperability.

Phase Two- Progress

Within the Minneapolis/St. Paul metropolitan area the initial implementation of the shared trunked radio system in Carver County, portions of Hennepin County and Minneapolis have served to demonstrate the benefits of a shared trunked radio system. It provides substantial additional capacity for communications individually and collectively based upon users and organizational needs. Additional capacity needs in the metropolitan area have been pressing for a number of years. Anoka County's transition planning began shortly after the implementation of the basic system.

Additional planning in the metropolitan area was spurred by the allocation of Homeland Security funds to ARMER. 2003 Homeland Security funds were allocated to local communities to partially fund subscriber units for public safety use. Funding of local enhancements through 911 revenue bonds authorized by the 2002 legislature did not occur, but, 2004 Homeland Security funds were used to provide partial funding of local enhancements. With this funding, most dependent communities in Hennepin County began to plan their transition and Ramsey County and Dakota County expedited their transition plans to the system. Without that additional funding, the transition of those counties and local communities would probably have occurred at a much slower pace.

It should be noted that funding of infrastructure is but one part of the equation. With Phase One and the implementation of local enhancements the actual cost of operating a shared communication system has become prominent. Everyone's question is "how much will it cost us to operate the system?" The Metropolitan Radio Board's articulated position has been to eliminate operating costs by using 911 fees to pay regional operating costs. The question of potential users fees and costs associated with allocation of resources continue to be poised as local users consider participation in the system. The continued allocation of 911 fees to answer resource allocation or cost allocation issues is not a sustainable policy without legislative adoption. This is not to say 911 fees should not be used to offset portions of those costs, but instead to say that formulating and articulating a fair and rational long term strategy for cost allocation should be a priority.

Phase Three

Phase Three of the ARMER Plan provided for the construction of the basic communication and interoperability infrastructure within the central and southeastern districts of the Minnesota State Patrol. (Appendix A). Partial funding of the estimated $44 million required to construct Phase Three infrastructure was provided for by the 2003 legislature. $27 million in 911

revenue bonds were authorized after July 1, 2004. Funding issues resulting from significant unanticipated liability for prior year 911 costs and increased 911 program costs prevented the commitment of 911 funds to the Phase Three revenue bonds. As a result, the extension of the basic communication infrastructure beyond the nine-county metropolitan area has not been possible.

Local Improvements in Phase Three

Following the authorization of 911 revenue bonds to partially fund the Phase Three infrastructure, 2003 Homeland Security funds were awarded to the following local communities in the Phase Three region to provide for local enhancement:

City of St. Cloud	$2,985,000
Rochester/Olmsted County	$2,200.000

The local enhancements provided for with these Homeland Security funds would be integrated into the basic communication infrastructure provided as part of the Phase Three development.

Prior to July 1, 2004, it became clear that 911 revenue bonds were not viable. St. Cloud and Rochester proceeded with their local plans to build radio systems interoperable with the Phase Three infrastructure. That planned development would have provided basic communication within the St. Cloud and Rochester metropolitan areas but no further. The 911 funding issues were not resolved during the 2004 legislative session and the funds that were to be used for the additional 911 revenue bonds were required to pay ongoing costs to operate the 911 emergency telephone system. Additional 2004 Homeland Security funds were directed to Olmsted County and Stearns County to allow for expansion of the Rochester and St. Cloud systems to provide countywide coverage. Homeland Security funds allocated to that purpose were as follows:

Infrastructure	
Stearns County	1,837,254
Olmstead County	1,954,854

As of this report, the following systems have been implemented or planned in the Phase Three planning area:

- City of St. Cloud (Population: 60,269)
  Basic Implementation: January 2005
  Subscriber Units: 650

The City of St. Cloud transitioned to an analog trunked radio system in the late 1980's. That system was incompatible with the ARMER plan. In 2003, $2,985,000 was allocated to St. Cloud from 2003 Homeland Security funds to

replace their communication system with one that would integrate into the ARMER system. That system is being placed in service as of January 2005.

Stearns County

- Stearns County (Population: 133,166)
  Basic Implementation: late 2005
  Subscriber Units: Unknown

When Phase Three implementation could not be funded, Stearns County sought funding to expand upon the basic communication infrastructure implement in the City of St. Cloud to provide continuity in communication throughout the county. 2004 Homeland Security funds were allocated to Stearns County in the amount of $1,837,254 for infrastructure and $1,828,400 for public safety subscriber units. Stearns County is currently working with the Department of Transportation to plan and implement development of a communication infrastructure throughout Stearns County.

Olmsted County

- Olmsted County (Population: 124,277)
  Basic Implementation: mid year 2005
  Subscriber Units: Undetermined

The City of Rochester and Olmsted County were in need of a significant communication up-grade. Their planning had anticipated integrating into the ARMER system as Phase Three was developed. In 2003, $2,200,000 was allocated to Olmsted County from 2003 Homeland Security funds to fund local improvements within the City of Rochester that would integrate into the ARMER system. When Phase Three implementation could not be funded, Olmsted County sought funding to expand upon the basic communication infrastructure implemented in the City of Rochester to provide continuity in communication throughout the county. 2004 Homeland Security funds were allocated to Olmsted County in the amount of $1,954,854 for infrastructure and $840,000 for public safety subscriber units. Olmsted County is currently working with the Department of Transportation to plan and implement development of a communication infrastructure throughout Olmsted County. That system is anticipated to be placed in service in mid 2005.

Phase Three- Progress

Without funding there has been very little progress in the Phase Three region. More problematic, however, is the reality that the factors cited in the 800 MHz Executive Team Report to the 2001 Minnesota Legislature, 800 MHz Statewide Shared Public Safety Radio System driving renewal of public safety communication infrastructure throughout the state of Minnesota have become more critical. Systems acquired in the early 1970's are now thirty-five years old. The FCC has set a cutoff date for narrow banding of VHF systems at 2013. In reports to Congress, the Federal Communications Commission and National Telecommunications and Information Administration (controlling frequencies allocated to the federal government) concluded that there is no additional

spectrum to be allocated to public safety in the VHF frequencies as the demand for wireless spectrum continues to increase; Alternative Frequencies for Use by Public Safety Systems, Response to Title XVII, Section 1705 of the National Defense Authorization act of FY2001, Federal Communication Commission; Spectrum Reallocation Report, Response to Title III of the Balanced Budget Act of 1997, National Telecommunications and Information Administration, Pub. 98-36, February 1998.

The events of September 11, 2001 have only served to increase the importance of interoperable public safety communication as a state and national priority. That priority is reflected in Minnesota's 2004 Homeland Security Strategy and Assessment, Goal 7, as follows:

> "Implement a statewide system of interoperable communication for local and state resources to be more effective and efficient in ensuring the safety of the citizens and emergency responders in Minnesota."

The objectives under this statewide goal provide for the planning and development of a statewide interoperable trunked radio system to replace the existing diverse and antiquated analog communication systems that exist across the state. The net result is that more and more local communities are confronted with aging and antiquated wireless communication systems that must be replaced. The ARMER system provides a plan for the coordinated renewal of the wireless communication infrastructure throughout the state of Minnesota. By necessity, the plan it builds upon a basic communication infrastructure to which local and regional coverage and capacity enhancements might be added. Without that basic communication infrastructure, local communities and counties are left with no option but to proceed with local systems to address their immediate needs.

The allocation of Homeland Security funds to the ARMER system is as follows:

2003 Homeland Security Funds	Appendix B
2004 Homeland Security Funds	Appendix C
2005 Homeland Security Funds	Appendix D

Assessment of Risk Mitigation Strategies

In the December 2002 Public Safety Statewide Radio Project, Project Plan and Scope Statement report to the legislature, the following risk assessment and mitigation strategies were presented:

1. Project discipline through traditional project management approach is essential for success in a project of this complexity and breadth. It is necessary to install a project manager at the program level, with oversight for all aspects of the project including the technology, communication and marketing plans, budget responsibility, integration with the metro project, legislative interface, and scope and change control.

Mitigation Strategy: Assign a dedicated project manager with full funding, span of control, and executive support to construct a project team of appropriately skilled resources to carry out completion of the multi-year project.

Current Status: On January 2, 2004 a program manager was hired by the Department of Public Safety to provide project management and to coordinate with the Department of Transportation. The program manager has oversight of all aspects of the project and reports directly to an Assistant Commissioner of Public Safety.

2. Risk associated with a build-out of this infrastructure because it will span a number of years.

    a) Vendor/contractor sustainability
    b) Dedicated project staff resources
    c) Project staff continuation

Mitigation Strategy: Evaluate and select standard tools and technologies to position the system within the mainstream industry and vendor offering. In addition, a reliable funding stream must be established now for the future, and dedicated to support the project resources and activities until the year 2012.

Current Status: The ARMER plan and technical and operational standards are clearly the domain of the Statewide Radio Board. The program manager and the Department of Transportation must assure that the Statewide Radio Board is kept abreast of the tools and technologies necessary to position the system within the mainstream. The Department of Transportation's Office of Electronic Communication has an extensive history of owning and operating substantial communication assets with a staff of degreed and non-degreed engineers who follow the industry. In addition, the Statewide Radio Board maintains an Operations and Technical Committee to provide recommendations upon technical issues related to the plan and operational standards.

With respect to the long term funding issue, see comments following this section.

3. The costs associated with the build-out are substantial.
    a) Project expenses are significant for this phase.
    b) Future funding for subsequent phases is unreliable but essential for full infrastructure benefits

Mitigation Strategy: Where possible and prudent, vendor and technology pricing should be acquired on a fixed bid basis to anticipate future funding needs. In addition, a strategy for leverage, integration, and re-use must be well established and required by the project leadership and system builders.

Current Status: Absent project funding, there has not been an opportunity to re-bid the project. The Department of Transportation has been actively involved with the Department of Administration in discussing unbundled bids and pricing. The Department of Transportation has continued to work with local communities in Phase

Two development and Phase Three design strategies to assure reasonable and specific bidding processes with identifiable costs.

4. The technology could become stagnant or obsolete over the multi-year life of the project and against architectural requirements.

a) Dangerous and costly missteps in design and implementation may occur
b) Even if proved necessary, shifts in direction are difficult, costly, and time consuming

Mitigation Strategy: The technology builder (Mn/DOT) must commit to an "ever-greening" process whereby it is validated repeatedly over time against architectural and functional requirements.

Current Status: See answer to item #2. The Department of Public Safety has allocated 2005 Homeland Security funds to up-date the plan, including a validation of the current technology including architectural and functional requirements. It is also anticipated that a more detailed risk assessment and mitigation plan will be developed as part of that plan up-date to fulfill the requirements of Minn. Stat. § 16E.04, subd.3.

5. Collaborative methods can be time-consuming and difficult, though the potential for an extraordinary result is much greater- the value of purposeful and energized partnering efforts cannot be shortchanged.

Mitigation Strategy: Diligent management oversight by the cross-functional representation of the Planning Committee will assure collaboration and integration between agencies and stakeholders that is critical to project success.

Current Status: The Operations and Technical Committee of the Statewide Radio Board will be actively involved in approving all local or regional plans. To date, the Department of Transportation, as owner of the system, is involved in all technical planning. Planning in Phase Three is limited, but the Department of Transportation has been very effective at building collaboration among stakeholders and assuring integration between agencies.

6. The state must take the lead in conveying to rural jurisdictions that this build-out is a benefit to them, and encourage them to partner with the state to leverage their purchasing choices and spending and the power of aggregate demand.

Mitigation Strategy: Diligent management oversight by the cross-functional representation of the Planning Committee will assure collaboration and integration between system architects and builders with local jurisdiction agencies and stakeholders that is critical to project success.

Current Status: Interest in the ARMER system was raised significantly when the 2002 legislature authorized partial funding of Phase Three. The allocation of substantial amounts of Homeland Security funds also raised interest throughout the state. The current uncertain status of project funding, however, has created serious

problems in encouraging long term planning and has led communities in need of current radio up-grades to proceed with those plans.

7. Local jurisdictions and stakeholders may not have either faith in the recommendations of the infrastructure project or the capability to implement the recommended solution.

Mitigation Strategy: The State must be available and supportive, as well as stand behind (post-implementation) the choices it is guiding others to make relative to standards in tools and technologies.

Current Status: See status to item #6.

Funding

911 Fees

Revenue from the 911 Emergency Telephone Service fee assessed under Minn. Stat. § 403.11, played a large part in funding capital costs and recurring operational costs of Phase One. Four cents was originally allocated for debt service from the 911 emergency telephone fee. With the explosive growth of telephone lines in the late 1990's the revenue generated by the 911 fee grew significantly. The increased fee revenue has been used to pay regional operating costs and additional capital costs.

In the 2003 legislative session, the 911 fee was increased by 7 cents from 33 cents per month to 40 cents per month. The portion of the fee committed to the public safety radio system was increased by 9 cents from 4 to 13 cents per month to fund $18 million in new 911 revenue bonds for partial reimbursement of local enhancements and $27 million in 911 revenue bonds for basic infrastructure in Phase Three. Following the enactment of these provisions, it was discovered that there were millions of dollars in unpaid 911 service costs from previous years (prior year expenses) and that current 911 costs (network costs and wireless implementation) had increased by $6 million annually. The result was that the 9 cent increase could not be allocated to the ARMER system and even if it could have been, 911 revenue bonds were not considered marketable with the substantial outstanding prior year debt that existed in the 911 emergency telephone service program.

This issue was not resolved in the 2004 legislative session. As a result, there were no bonds sold. Phase Two enhancements of local infrastructure were funded with Homeland Security funds and Phase Three was placed on hold.

Unfortunately, the issues of the 911 special revenue account are not unique. Across the country there are serious problems funding 911 costs. The most pressing of which is the significant technology shift that is occurring in the telecommunication industry. Commonly referred to as VoIP (Voice over Internet Protocol), the difficulties have been exacerbated by the recent FCC

decision taking jurisdiction over all broadband-based telecommunication systems. The effect of this ruling was to prohibit state regulation and taxation of all VoIP-based telecommunication. In assessing the impact, it is important to note that the FCC took jurisdiction over more than just "internet" telephone service, it took jurisdiction over broadband telephone service. Although this decision has been appealed, there is substantial uncertainty over the current status of 911 fee revenue.

In making 2005 revenue forecasts for the 911 Program, wire line 911 revenues are predicted to continue declining. Wireless 911 line revenues are still increasing, but in combination the trend lines indicate that 911 revenues will begin to fall off over the next few years. Additionally, it was determined that some of the competitive local exchange carriers (CLECs) currently paying 911 fees in Minnesota are broadband-based telephone service providers who may be able to escape the regulatory process and fees under the FCC's ruling. Within the telecommunication industry there is a discussion that over the next three to five years there will be a significant transition to VoIP technology within the industry, driven largely by competitive forces. The ultimate impact of these discussions is the fact that there is likely to be considerable uncertainty over the 911 revenue stream in the next few years. There is a growing discussion indicating that a re-write of the 1996 Telecommunications Act is likely but there is also no particular clarity as to which direction Congress may go on the topic.

National Status and Funding of Interoperable Communications

Faced with these prospects, a review of the status and funding of interoperable communications was conducted. The results are demonstrated in the charts and table attached as Attachment D. Those tables reflect that interoperable communication is a major issue across most of the country with at least 22 states planning new systems or significant upgrades to existing systems. 14 additional states are engaged in a planning process that may lead them to recommend new systems or upgrade existing systems. With respect to the 22 states referenced above the most common way of financing those costs has been through general fund appropriations. Two states (Utah and South Dakota) have relied upon grant funds, but in both instances there were special circumstances that are not practically portable to other states. Motor vehicle or boat fee assessments were relied upon in Florida and Indiana, and Illinois is pursuing a vendor lease arrangement (participation appears to be limited at this time). Minnesota's reliance upon 911 fees appears fairly unique. Planners in New York indicated their belief that Wireless 911 fees were going to be used to finance the state interoperable radio system but additional details are not available. Nebraska's most recent effort to fund their interoperable radio system was to impose a fee upon electric utility customers. Those efforts were not successful.

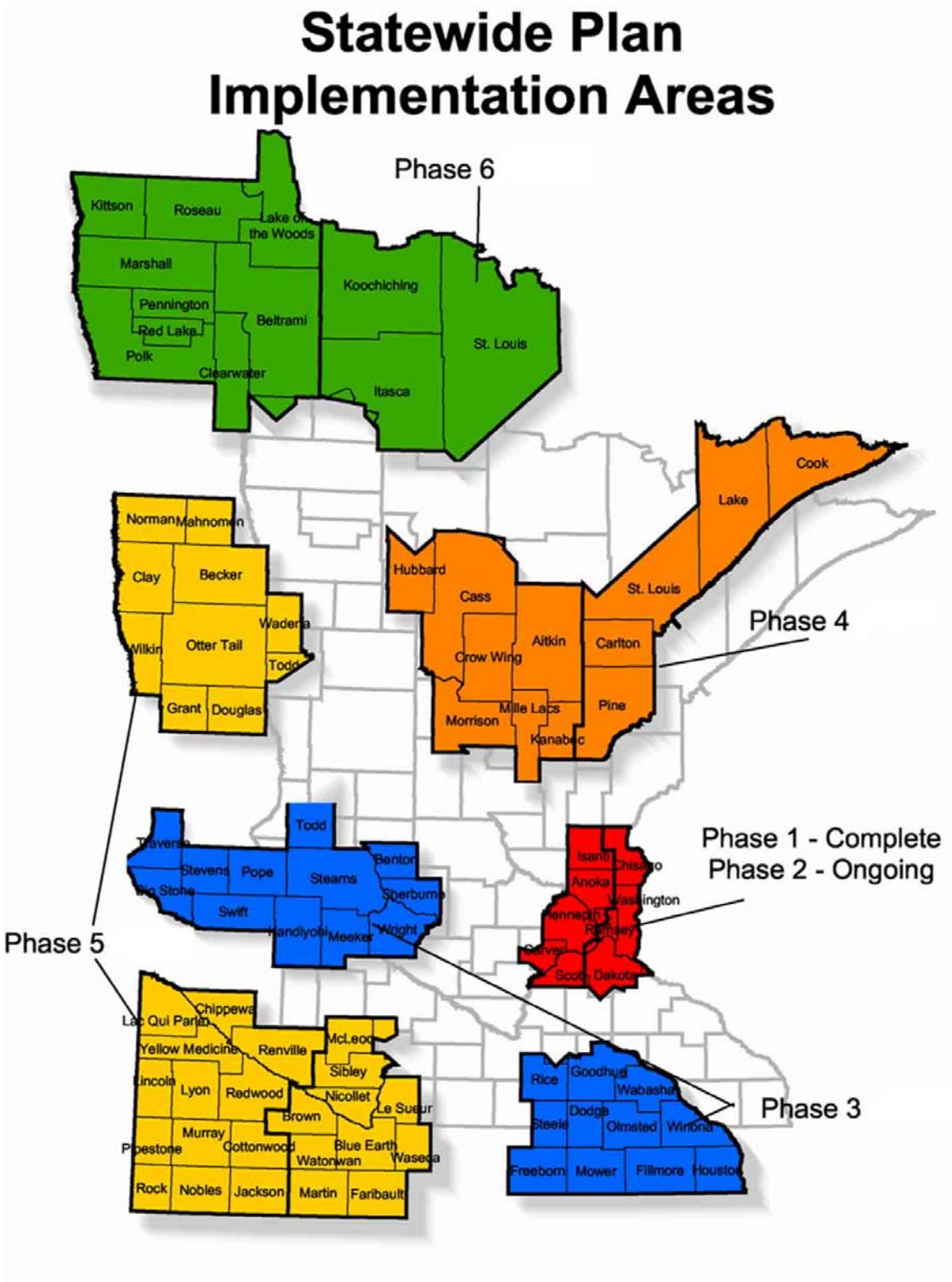
Conclusion

As previously indicated, the present uncertainty over 911 revenues, increased costs, changing technology and regulatory issues make reliance upon 911 revenue for long term bonding very difficult. The delay occasioned by these

difficulties has made it extremely difficult for local communities outside the metropolitan area to coordinate anything with a statewide build out. There is a window of opportunity upon which to renew the wireless communication infrastructure throughout the state and to do so in a way that allows state, regional and local entities to leverage infrastructure efficiently.

In addition to the basic communication infrastructure provided by the ARMER system, it provides an infrastructure of tower and a microwave sub-system that might be used to provide connectivity to a broad range of modern communication needs, including the 911 system, emergency phone systems and data links for record systems such as AFIS, CJRS and CrimNet. Wireless voice communications is becoming just another data system (VoIP) transported over a common wireless communication link. In public safety, basic voice communication will always be the one mission critical infrastructure piece we must be able to maintain under all contingencies. But with that wireless voice infrastructure in place there is a platform upon which to build all public safety and government communication throughout the next century.

Appendix A


Statewide Plan
Implementation Areas
Phase 6
Kittson
Roseau
Lake of the Woods
Marshall
Koochiching
Pennington
Red Lake
Beltrami
Polk
Clearwater
St. Louis
Itasca
Cook
Lake
Norman
Mahnomen
Clay
Becker
Hubbard
Cass
St. Louis
Wadena
Otter Tail
Todd
Aitkin
Carlton
Phase 4
Crow Wing
Grant
Douglas
Mille Lacs
Pine
Morrison
Kanabec
Todd
Traverse
Stevens
Pope
Stearns
Benton
Big Stone
Sherburne
Swift
Meeker
Wright
Phase 1 - Complete
Phase 2 - Ongoing
Anoka
Washington
Ramsey
Scott
Dakota
Phase 5
Chippewa
Lac Qui Parle
Yellow Medicine
Renville
McLeod
Sibley
Lincoln
Lyon
Redwood
Nicollet
Le Sueur
Brown
Murray
Pipestone
Cottonwood
Blue Earth
Watonwan
Waseca
Rock
Nobles
Jackson
Martin
Faribault
Rice
Goodhue
Wabasha
Dodge
Steele
Olmsted
Winona
Phase 3
Freeborn
Mower
Fillmore
Houston

Appendix B

HOME LAND SECURITY FUNDS
Regional/Statewide Radio System

2003 Homeland Security Funds

Metropolitan Area

Allocated to local communities for public safety portables & mobiles

Hennepin County

Hennepin County	385,000
Bloomington	505,000
Brooklyn Center	159,600
Edina	285,600
Hopkins	169,400
Minnetonka	190,400
Richfield	88,200
St. Louis Park/Golden Valley	327,600
Ramsey County	3,416,235
Metropolitan Airports Commission	380,800
Anoka County	461,765
Dakota County	123,200
Washington County	603,400
Isanti/Chisago County	297,433

Allocated to infrastructure

Hennepin County one channel system expansion	295,800
Isanti/Chicago- North Branch channel expansion	387,000
Sub Total Metro Area	$8,076,433

Phase Three

Infrastructure

Stearns County (St. Cloud)	2,985,000
Olmsted County (Rochester)	2,200,000

Subscriber equipment (radio control stations)

Benton County	10,000
Fillmore County	10,000

Goodhue County	10,000
Meeker County	10,000
Mower County	10,000
Rice County	10,000
Sherburne County	10,000
Wabasha County	10,000
Winona County	10,000
Steele County	10,000
City of Hanover- Fire Department	23,292
Sub Total Phase Three	$6,208,292
Total	$14,284,725

Note: The individual county allocations of $10,000 were for radio control stations at each county dispatch center within the Phase Three areas. The $23,292 grant to the City of Hanover Fire Department was a grant for a public safety agency in Wright County (Phase Three) with mutual aid agreements requiring them to respond into Hennepin County (Phase One).

Appendix C

HOME LAND SECURITY FUNDS
Regional/Statewide Radio System

2004 Homeland Security Funds

Metropolitan Area

Allocated to infrastructure

Hennepin County

Hennepin County (5 channel expansion)	1,472,597
Hennepin County (Base Radio Site- MOA)	1,593,292
Bloomington	89,208
Brooklyn Center	218,241
Hopkins	157,441
Minnetonka	209,000
St. Louis Park/Golden Valley	218,241
Metropolitan Airports Commission	439,139
University of Minnesota	155,921
Ramsey County	4,290,866
Anoka County	2,078,753
Sub Total Metro Area	$10,922,699

Phase Three

Infrastructure

Stearns County	1,837,254
Olmsted County	1,954,854

Portables and Mobiles

Stearns County	
1,828,400	
Olmsted County	840,000

Regional Planning

Stearns County	75,000
Olmsted County	75,000
Sub Total Phase Three	$6,610,508

Total 2004 Homeland Security Funds	$17,533,207

Appendix D

HOME LAND SECURITY FUNDS
Regional/Statewide Radio System

2005 Homeland Security Funds

Phase Two

Allocated to infrastructure		
Dakota County	$4,480,00	
Portion of local planning funds (Chisago, Isanti, Scott and Washington)		
Sub Total Metro Area		$4,480,000

Phase Three

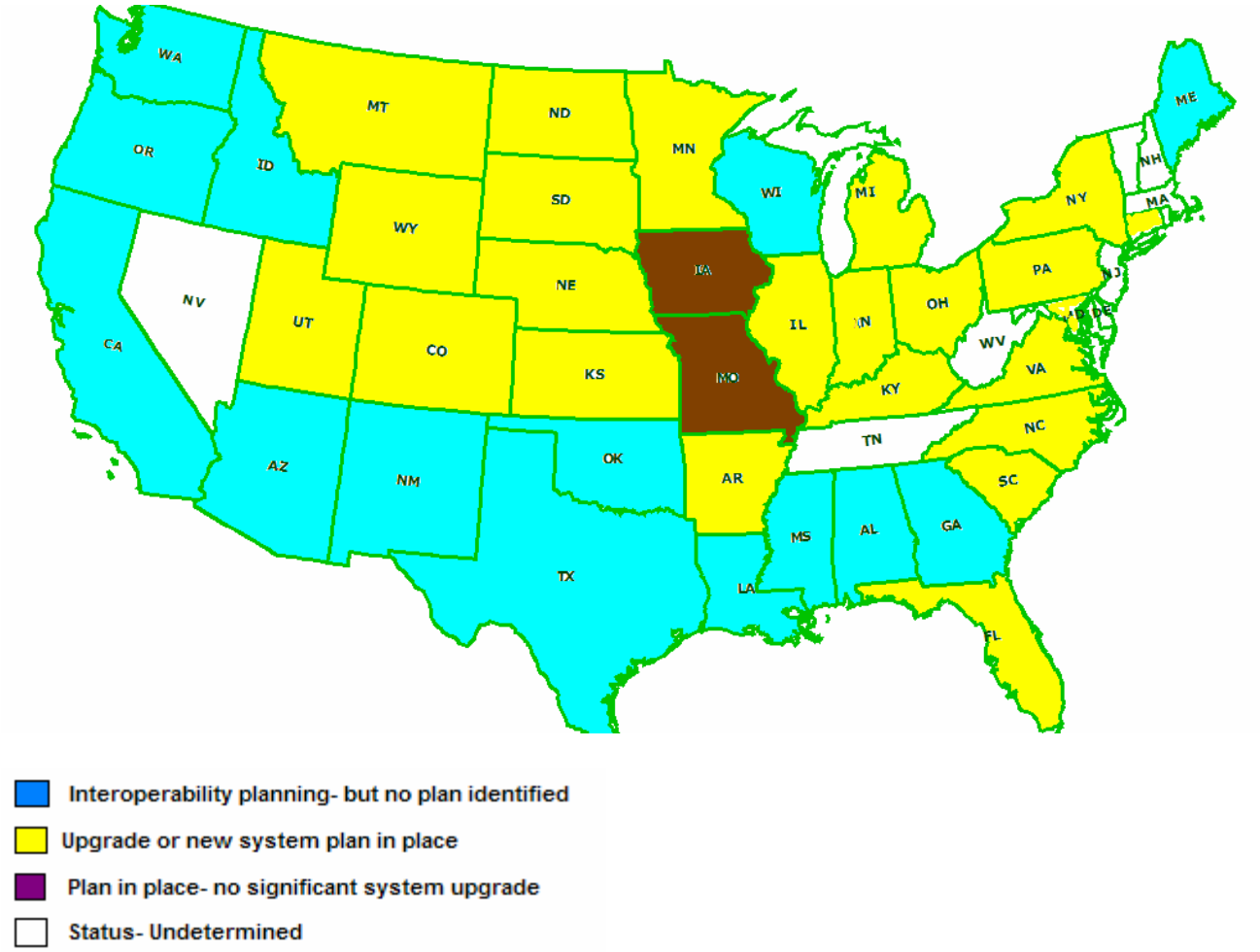
Infrastructure		
Stearns County	$982,000	
Olmstead County	$600,000	
Portion of local planning funds (Phase III, IV, V or VI)		
Sub Total Greater Minnesota		$1,582,000

Planning Funds

Total allocated to local & regional planning	$238,000
TOTAL 2005 Homeland Security Funds	$6,300,000

Appendix E

STATUS OF PLANNING



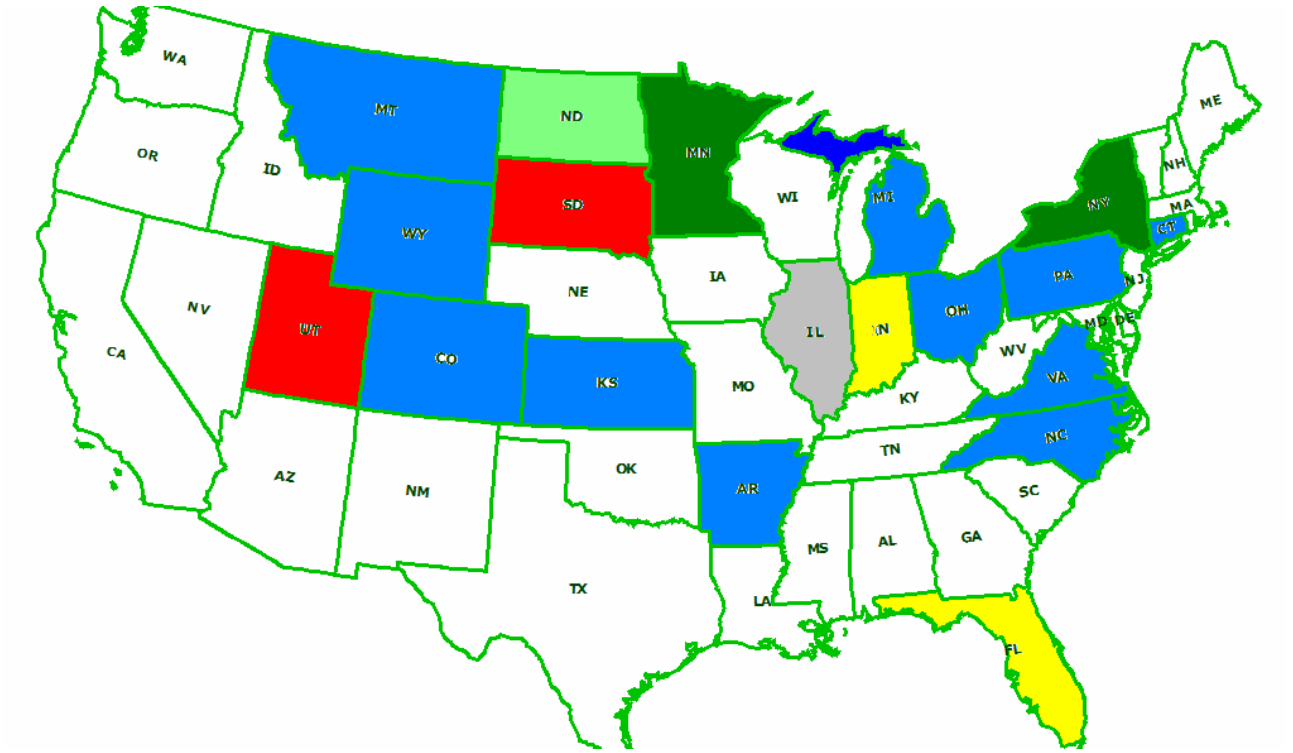
Interoperability planning- but no plan identified

Upgrade or new system plan in place

Plan in place- no significant system upgrade

Status- Undetermined

FUNDING OF IMPLEMENTATION PLANS



General funds or general obligation bonds
Grant funds and earmarked funds
911 Fee based financing
Motor vehicle or boat licensing fees
Vendor owned- user fee based
Vendor Lease/Purchase

State	Status	Funding
Alabama	Planning process only	No funding identified
Alaska	Planning process only	No funding identified
Arizona	Planning process	
Arkansas	Consolidation of 12 separate state systems	General Fund appropriation to State Patrol
California	Planning but no specific plan- multi-banded approach anticipated	No funding identified
Colorado	800 MHz trunked system- 2/3 completed	Initial appropriation to trust fund ($50 million)- annual appropriations to fund from general fund
Connecticut	800 MHz trunked system	
Delaware		
Florida	800 MHz trunked system	$1.00 fee on MV and boat licenses ($16 million)
Georgia	Planning but no funding- 800/700 MHz system	None specified
Hawaii		
Idaho	SIEC Planning process- planning only	None specified
Illinois	Implementing 800 MHz trunked system	Leased system from Motorola
Indiana	1/3 completed- 800 MHz trunked system	$1.25 fee on MV filings; shared with BCA
Iowa	Enhanced interoperability, no system wide upgrade	None
Kansas	Up-grading existing 800 MHz trunked system	State general fund appropriation
Kentucky	Statewide UHF system for State Patrol enhancements	Grant funds to expand interoperability
Louisiana	Planning only	
Maine	Planning a statewide VHF system	No funding defined

Maryland	Intermediate plan- V-TAC,U-TAC and I-TAC plan	Grant funds
Massachusetts		
Michigan	800 MHz trunked radio system	State capital bonds
Mississippi	Planning process only at this time	
Missouri	No statewide plan- little state coordination	
Montana	Current RFP for VHF voice & data	Grants and appropriated general funding
Nebraska	Plan for 800 MHz trunked system	No funding
Nevada		
New Hampshire		
New Jersey		
New Mexico	Planning only at this time	
New York	Planning 800 MHz trunked system	Partial funding from Wireless 911 fee
North Carolina	Expanding existing Motorola 800 MHz trunked system	State & county funds, earmarks and FEMA funds, HSEM grants
North Dakota	Upgrade current VHF conventional system	HSEM funding- down payment and yr 1 lease
Ohio	800 MHz trunked system	$271.9 million state capital bonds
Oklahoma	Planning process only- plan 800/700 trunked system	None identified
Oregon	Planning process only- no specific plans yet	None identified
Pennsylvania	800 MHz trunked system	State capital bonds
Rhode Island		
South Carolina	800 MHz trunked system	
South Dakota	VHF trunked system	HSEM grants and earmarks

Tennessee		
Texas	No statewide plan, but regional plans	HSEM funds and local funding
Utah	800 MHz trunked system 12 county area- No plan to expand	Federal grants, Olympic funding- user fees generate $30 million per year (22.50 per radio)
Vermont		
Virginia	VHF trunked system	State G.O. Bonds
Washington	Preparing plan- due March 2003	None identified yet
West Virginia	No specific plan	
Wisconsin	Plan with alternatives prepared	None identified
Wyoming	New Statewide VHF Radio system	General Fund- G.F. surplus from royalties

Item noted of significance:

- Nebraska- Attempted to fund a statewide 800 MHz system with a 50¢ monthly fee on each electric utility customer. It was defeated and is considered dead issue.
- Indiana- Partially funded their statewide 800 MHz system with a $1.25 motor vehicle registration fee. Revenue was split between the radio system and crime lab modernization. It has not produced enough revenue.
- Maryland- Has developed a short term (10 year) interoperability plan with a long term plan of spending $5 million per year from the general fund to acquire land and towers for an 800/700 MHz trunked system to be implemented 10 years out.
- Missouri, Iowa, and Kentucky- Plans call for interoperability through cross band repeaters and interoperability channels but have no significant plans to upgrade a statewide system with any shared resources. Wisconsin may be going in a similar direction.
- North Dakota- Upgraded their existing VHF radio system ($5.1 million) under an 8 year lease purchase agreement with Motorola, the down payment and 1st year lease payment will be made with HSEM funds; funding for succeeding years is not yet determined.
- Utah and South Dakota- System financed with grant funds, Utah received extensive grants in connection with the Winter Olympics. South Dakota was the benefactor of significant grants and earmarks when Senator Daschle was Minority Leader.
- Illinois- Reportedly is doing a vendor owned system with Motorola leasing usage. Cost is reportedly $50-60/month (need more clarification here as the person reporting was not a fan of Illinois proposal).

Other sources of funding mentioned but not implemented anywhere are as follows:

- Traffic citation surcharge for certain offenses.
- Automobile insurance fee assessment- similar to that used for the Auto Theft Prevention program.

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APPENDIX C

FINANCIAL INFORMATION

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911 ARMER PROGRAM - SPECIAL REVENUE FUND
HISTORICAL AND CURRENT YEAR FUNDING
($ IN THOUSANDS)

	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007
Resources:					
Prior Year Ending Balance	$5,648.2	$1,628.0	$3,673.7	$881.3	$6,977.4
911 Fee Collections	$20,792.7	$25,838.6	$27,323.2	$46,229.5	$46,930.6
Transfers from Other Funds	$0.0	$0.0	$0.0	$0.0	$0.0
Prior Year Adjustments	$0.0	$0.0	$0.0	$0.0	$0.0
Subtotal Current Resources	$20,792.7	$25,838.6	$27,323.2	$46,229.5	$46,930.6
Total Revenues Plus Prior Year Ending Balance	$26,440.9	$27,466.6	$30,996.9	$47,110.8	$53,908.0
Authorized Expenditures & Transfers:					
Appropriation Transfers:					
Debt Service - Metropolitan Council	$1,393.9	$1,396.6	$1,401.9	$1,405.0	$1,410.0
Debt Service - Department of Finance	$0.0	$0.0	$0.0	$6,138.0	$6,149.0
Metropolitan Council - Operating Budget Supplement	$1,100.5	$1,225.7	$1,330.4	$0.0	$0.0
Medical Resource Communication Center	$0.0	$0.0	$0.0	$682.0	$683.0
Subtotal Transfers	$2,494.4	$2,622.3	$2,732.3	$8,225.0	$8,242.0
Expenditures:					
Compensation	$289.3	$314.3	$266.4	$376.5	$386.0
Rent / State Operations / 911 Service Providers	$15,727.9	$14,300.5	$20,286.1	$17,891.9	$20,181.0
Public Safety Answering Points (PSAP)	$6,301.3	$6,555.8	$6,830.8	$13,640.0	$13,664.0
Subtotal Expenditures	$22,318.5	$21,170.6	$27,383.3	$31,908.4	$34,231.0
Total Transfers and Expenditures	$24,812.9	$23,792.9	$30,115.6	$40,133.4	$42,473.0
Fund Balance	**$1,628.0**	**$3,673.7**	**$881.3**	**$6,977.4**	**$11,435.0**

911 ARMER PROGRAM - SPECIAL REVENUE FUND
AGENCY BASE FUNDING FOR FISCAL YEARS 2008-2011
($ IN THOUSANDS)

	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Forercast Resources:				
Prior Year Ending Balance	$11,435.0	$16,601.9	$21,304.9	$25,603.2
911 Fee Collections	$46,737.9	$46,274.0	$45,869.3	$45,522.0
Transfers from Other Funds	$0.0	$0.0	$0.0	$0.0
Prior Year Adjustments	$0.0	$0.0	$0.0	$0.0
Subtotal Current Resources	$46,737.9	$46,274.0	$45,869.3	$45,522.0
Total Revenues Plus Prior Year Ending Balance	$58,172.9	$62,875.9	$67,174.2	$71,125.2
Authorized Expenditures & Transfers:				
Appropriation Transfers:				
Debt Service - Metropolitan Council	$1,410.0	$1,410.0	$1,410.0	$1,410.0
Debt Service - Department of Finance	$6,149.0	$6,149.0	$6,149.0	$6,149.0
Metropolitan Council - Operating Budget Supplement	$0.0	$0.0	$0.0	$0.0
Medical Resource Communication Center	$683.0	$683.0	$683.0	$683.0
Subtotal Transfers	$8,242.0	$8,242.0	$8,242.0	$8,242.0
Expenditures:				
Compensation	$399.0	$412.0	$412.0	$412.0
Rent / State Operations / 911 Service Providers	$19,266.0	$19,253.0	$19,253.0	$19,253.0
Public Safety Answering Points (PSAP)	$13,664.0	$13,664.0	$13,664.0	$13,664.0
Subtotal Expenditures	$33,329.0	$33,329.0	$33,329.0	$33,329.0
Total Transfers and Expenditures	$41,571.0	$41,571.0	$41,571.0	$41,571.0
Fund Balance	**$16,601.9**	**$21,304.9**	**$25,603.2**	**$29,554.2**

Cash Flow Analysis of 911\ARMER Program
Fiscal Year 2007

Minnesota Department of Public Safety
Special Revenue Fund

	July	August	September	October	November	December	January	February	March	April	May	June	July	Total
Projected Revenues:														
Beginning Fund Balance-FY2007	$6,977,431													$6,977,431
911 Fee Collections	$0	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,634	$3,700,636	$46,930,585
Projected Transfers and Expenditures:														
Debt Service - Metropolitan Council	$0	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$0	$0	$1,410,000
Debt Service - Department of Finance	$0	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$0	$0	$6,149,000
All Other Expenses	$30,307	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,907,833	$2,897,530	$34,914,000
Total Transfers and Expenditures	$30,307	$3,663,733	$3,663,733	$3,663,733	$3,663,733	$3,663,733	$3,663,733	$3,663,733	$3,663,733	$3,663,733	$3,663,733	$2,907,833	$2,897,530	$42,473,000
Fund Balance	**$6,947,124**	**$6,984,025**	**$7,020,926**	**$7,057,828**	**$7,094,729**	**$7,131,630**	**$7,168,532**	**$7,205,433**	**$7,242,334**	**$7,279,236**	**$7,316,137**	**$8,108,938**	**$8,912,044**	**$11,435,016**

Minnesota Department of Finance
Debt Service Clearing/Collection Account

Beginning Acct Balance-FY2007	$1,138,000													$1,138,000
- Public Safety Appropriation Transfer In	$0	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$0	$0	$6,149,000
- Principal & Interest Transfer Out to Debt Service Payment Account	$0	$0	$0	$0	($766,262)	$0	$0	$0	$0	$0	$0	$0	$0	($766,262)
- Transfer Out to MnDOT Cash Payment - Capital Improvement Account	$0	$0	$0	($1,138,000)	$0	$0	$0	$0	$0	$0	$0	($5,000,000)	$0	($6,138,000)
Debt Service Clearing/Collection Account Balance	**$1,138,000**	**$1,752,900**	**$2,367,800**	**$1,844,700**	**$1,693,338**	**$2,308,238**	**$2,923,138**	**$3,538,038**	**$4,152,938**	**$4,767,838**	**$5,382,738**	**$382,738**	**$382,738**	**$382,738**

Minnesota Department of Finance
Debt Service Payment Account

Beginning Acct Balance-FY2007	$0													$0
Transfer In from Debt Service Clearing/Collection Account	$0	$0	$0	$0	$766,262	$0	$0	$0	$0	$0	$0	$0	$0	$766,262
Principal & Interest Bond Payment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($766,262)	$0	($766,262)
Debt Service Payment Account Balance	**$0**	**$0**	**$0**	**$0**	**$766,262**	**$766,262**	**$766,262**	**$766,262**	**$766,262**	**$766,262**	**$766,262**	**$0**	**$0**	**$0**

Cash Flow Analysis of 911\ARMER Program
Fiscal Year 2008

Minnesota Department of Public Safety
Special Revenue Fund

	July	August	September	October	November	December	January	February	March	April	May	June	July	Total
Projected Revenues:														
Beginning Fund Balance-FY2008	$11,435,016													$11,435,016
911 Fee Collections	$0	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,827	$3,894,828	$46,737,925
Projected Transfers and Expenditures:														
Debt Service - Metropolitan Council	$0	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$0	$0	$1,410,000
Debt Service - Department of Finance	$0	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$0	$0	$6,149,000
All Other Expenses	$16,625	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,817,712	$34,012,000
Total Transfers and Expenditures	$16,625	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$2,834,333	$2,817,712	$41,571,000
Fund Balance	**$11,418,391**	**$11,722,985**	**$12,027,579**	**$12,332,173**	**$12,636,767**	**$12,941,361**	**$13,245,955**	**$13,550,549**	**$13,855,143**	**$14,159,737**	**$14,464,331**	**$15,524,825**	**$16,601,941**	**$16,601,941**

Minnesota Department of Finance
Debt Service Clearing/Collection Account

Beginning Acct Balance-FY2008	$382,738													$382,738
- Public Safety Appropriation Transfer In	$0	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$0	$0	$6,149,000
- Principal & Interest Transfer Out to Debt Service Payment Account	($382,738)	($614,900)	($614,900)	($614,900)	($614,900)	($614,900)	($592,310)	$0	$0	$0	$0	$0	$0	($4,049,548)
- Transfer Out to MnDOT Cash Payment - Capital Improvement Account	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($2,000,000)	$0	($2,000,000)
Debt Service Clearing/Collection Account Balance	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$22,590**	**$637,490**	**$1,252,390**	**$1,867,290**	**$2,482,190**	**$482,190**	**$482,190**	**$482,190**

Minnesota Department of Finance
Debt Service Payment Account

Beginning Acct Balance-FY2008	$0													$0
Transfer In from Debt Service Clearing/Collection Account	$382,738	$614,900	$614,900	$614,900	$614,900	$614,900	$592,310	$0	$0	$0	$0	$0	$0	$4,049,548
Principal & Interest Bond Payment	$0	$0	$0	$0	$0	($729,774)	$0	$0	$0	$0	$0	($3,319,774)	$0	($4,049,548)
Debt Service Payment Account Balance	**$382,738**	**$997,638**	**$1,612,538**	**$2,227,438**	**$2,842,338**	**$2,727,464**	**$3,319,774**	**$3,319,774**	**$3,319,774**	**$3,319,774**	**$3,319,774**	**$0**	**$0**	**$0**

Cash Flow Analysis of 911\ARMER Program
Fiscal Year 2009

Minnesota Department of Public Safety
Special Revenue Fund

	July	August	September	October	November	December	January	February	March	April	May	June	July	Total
Projected Revenues:														
Beginning Fund Balance-FY2009	$16,601,941													$16,601,941
911 Fee Collections	$0	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,163	$3,856,162	$46,273,955
Projected Transfers and Expenditures:														
Debt Service - Metropolitan Council	$0	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$141,000	$0	$0	$1,410,000
Debt Service - Department of Finance	$0	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$0	$0	$6,149,000
All Other Expenses	$17,166	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,834,333	$2,817,179	$34,012,000
Total Transfers and Expenditures	$17,166	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$3,590,233	$2,834,333	$2,817,179	$41,571,000
Fund Balance	**$16,584,775**	**$16,850,705**	**$17,116,635**	**$17,382,565**	**$17,648,495**	**$17,914,425**	**$18,180,355**	**$18,446,285**	**$18,712,215**	**$18,978,145**	**$19,244,075**	**$20,265,905**	**$21,304,888**	**$21,304,896**

Minnesota Department of Finance
Debt Service Clearing/Collection Account

Beginning Acct Balance-FY2009	$482,190													$482,190
- Public Safety Appropriation Transfer In	$0	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$0	$0	$6,149,000
- Principal & Interest Transfer Out to Debt Service Payment Account	($482,190)	($614,900)	($614,900)	($614,900)	($614,900)	($614,900)	($614,900)	($614,900)	($614,900)	($504,158)	$0	$0	$0	($5,905,548)
- Transfer Out to MnDOT Cash Payment - Capital Improvement Account	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service Clearing/Collection Account Balance	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$110,743**	**$725,643**	**$725,643**	**$725,643**	**$725,643**

Minnesota Department of Finance
Debt Service Payment Account

Beginning Acct Balance-FY2009	$0													$0
Transfer In from Debt Service Clearing/Collection Account	$482,190	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$614,900	$504,158	$0	$0	$0	$5,905,548
Principal & Interest Bond Payment	$0	$0	$0	$0	$0	($1,236,775)	$0	$0	$0	$0	$0	($4,668,773)	$0	($5,905,548)
Debt Service Payment Account Balance	**$482,190**	**$1,097,090**	**$1,711,990**	**$2,326,890**	**$2,941,790**	**$2,319,915**	**$2,934,815**	**$3,549,715**	**$4,164,615**	**$4,668,773**	**$4,668,773**	**$0**	**$0**	**$0**

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APPENDIX D

SUMMARY OF COMMISSIONER'S ORDER

The following is a brief section-by-section summary of the Order, which is qualified in its entirety by reference to the Order.

Section 1. **Definitions.** This section sets forth definitions for various terms used in the Order. These terms and their definitions are set forth in Appendix A and are also used in this Official Statement.

Section 2. **Recitals**. This section sets forth certain recitals of fact establishing the purpose for and the authority to issue the Bonds.

Section 3. **Authorization Of Bonds; Use Of Proceeds.** This section authorizes the issuance of the Bonds and directs application of the proceeds of the Bonds, exclusive of accrued interest, to the payment of the ARMER, and the payment of the issuance expenses of the Bonds.

Section 4. **Form of Bonds.** This section sets forth the form in which the Bonds will be issued. However, initially and for the foreseeable future the Bonds will be issued only to a securities depository (DTC) in accordance with Subsection 5.07 of the Order and no Registered Owner will receive a printed bond.

Section 5. **Terms of Bonds; Regulations for Issuance.** This section is comprised of subsections 5.01 through 5.08. Subsections 5.01 through 5.03 set forth the principal amounts, maturities, interest rates and redemption provisions of the Bonds which are set forth elsewhere in this Official Statement.

Subsections 5.04 through 5.06 appoint The Bank of New York Trust Company, N.A. to serve as registrar and paying agent for the Bonds and establish regulations for handling registration of ownership, transfer, exchange, cancellation and replacement of lost or destroyed bonds as well as for determining ownership of a bond.

Subsection 5.07 provides for the establishment of a Book-Entry Only System for issuance of the Bonds and appoints DTC to act as securities depository to administer the Book-Entry Only System which is described in the test of this Official Statement under the heading "THE BONDS - Book Entry System."

Subsection 5.08 establishes regulations pursuant to which the Bonds and the covenants made in the Order for their payment and security may be discharged and terminated. Discharge may be accomplished by either (a) payment of the principal, premium, if any, and interest on the Bonds to the due date thereof (whether such due date is by reason of maturity or upon redemption; or (b) by depositing irrevocably in escrow, with a qualified bank, (1) money sufficient to make such payment and/or (2) Defeasance Obligations, maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient money to make such payment. "Defeasance Obligations" are defined to mean various securities specified by the Bond Insurer (generally, securities that are direct obligations of, the United States of America, obligations of specified agencies that are backed by the full faith and credit of the United States of America, and certain pre-refunded municipal bonds).

Section 6. **Security For Bonds.** This section sets forth covenants for the payment and security of the Bonds. It provides for the establishment and administration of a Debt Service Fund and the deposit, transfer, investment and disbursement of 911 Fee Revenues for the payment of and security of the Bonds.

Section 7. **Additional Bonds.** This section set forth the conditions under which the Commissioner may issue additional bonds on a parity basis with the Bonds.

Section 8. **Official Statement.** This section designates the completed Official Statement, to be dated as of the date of sale of the Bonds, as a final official statement under Securities and Exchange Commission Rule 15c2-12 and authorizes its distribution by the initial underwriter of the Bonds to purchasers and prospective purchasers of the Bonds.

Section 9. **Covenants Relating To Tax Exemption.** This section sets forth the covenants of the Commissioner, on behalf of the State and for the benefit of the holders from time to time of the Bonds, with respect to maintaining the tax-exemption of interest to be paid on the Bonds. Subsection 9.01 sets forth the Commissioner's covenants to comply with Section 148 of the Code relating to "arbitrage bonds" and "arbitrage rebate."

Subsection 9.02 sets forth the Commissioner's covenant to avoid use of the Bond proceeds in a manner which would cause the Bonds to be classified as "private activity bonds."

Section 10. **Continuing Disclosure.** This section sets forth the covenants and undertakings of the Commissioner, on behalf of the State and for the benefit of the Registered Owners from time to time of the Bonds, to comply with the continuing disclosure provisions of Securities and Exchange Commission Rule 15c2-12, paragraph (b)(5). The Continuing Disclosure Undertaking is set forth in its entirety in Appendix E.

Section 11. **General Covenants; Registered Owners Rights.** This section is comprised of subsections 11.01 through 11.05. Subsection 11.01 provides that the covenants and agreements of the Commissioner set forth in the Order shall constitute a contract with and for the benefit of the Registered Owners from time to time of the Bonds, and that the contract is enforceable in the District Court for Ramsey County, Minnesota. Other venues for enforcement are not available.

Subsection 11.02 affirms that the Commissioner's covenants and agreements can be enforced by judicial proceeding instituted by any Registered Owner without the consent of any other Registered Owner, but that any enforcement action is for the equal and ratable benefit of all Registered Owners, and any moneys recovered are required to be deposited and credited to the Debt Service Fund and applied as provided in the Order, as amended and supplemented from time to time.

Subsection 11.03 acknowledges that a Registered Owner seeking to enforce the Commissioner's covenants and agreements may employ a financial institution, having agency or trust powers which is authorized to transact business in the State, to institute, conduct, prosecute, settle and take all other action necessary for a judicial proceeding for this purpose, in its own name as agent or trustee for and on behalf of the Registered Owner.

Subsection 11.04 provides that the Commissioner, upon the occurrence of certain events, will cooperated with any Registered Owner in communicating with other Registered Owners (including the Beneficial Owners of Bonds held by DTC for DTC Participants) with respect to actions proposed to be taken pursuant to subsections 11.01 through 11.03.

Section 12. **Covenants Regarding Bond Insurer.** This section describes the procedures, rights and obligations of MBIA Insurance Corporation (the "Bond Insurer"), the Commissioner and the Registrar regarding the bond insurance policy issued by the Bond Insurer. Under such policy, the Bond Insurer guarantees payment of the principal and interest when due on the Bonds.

Section 13. **Amendments.** This section establishes regulations for the amendment of the Order with and without the consent of the Registered Owners of the Bonds.

Subsection 13.01 provides for the amendment of the Order by the Commissioner without consent for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or of making such provisions with regard to matters or questions arising hereunder as the Commissioner may deem necessary or desirable and not inconsistent with the Order, and which shall not adversely affect the interests of the Registered Owners of the Bonds, or for the purpose of adding to the covenants and agreements contained in the Order, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Debt Service Fund, or for the purpose of surrendering any right or power herein reserved to or conferred upon the Commissioner.

Subsection 13.02 provides for other amendments to the Order with the consent of two-thirds of the Registered Owners of Outstanding Bonds affected thereby, except that the consent of the Registered Owners of all Outstanding Bonds affected thereby is required to approve any amendment which would extend the time of payment of interest thereon, would reduce the amount of the principal thereof or redemption premium thereon, would give to any Bond any privileges over any other Bond, would reduce the 911 Fee Revenues appropriated or required to be transferred to the Debt Service Fund, or would reduce the percentage in principal amount of Bonds required to authorize or consent to any such amendment.

Subsection 13.03 establishes the percentage of Registered Owners who must consent to amendments to the Order, other than as provided in Subsections 12.01 or 12.02, as the Registered Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds. Subsection 12.03 also establishes regulations as to the manner of obtaining consents, the required form and execution of consents, revocations of consents, and the effect of consents provided and requests for consent not responded to.

Section 14. **Sale And Delivery.** This section recites certain facts relative to the sale of the Bonds and the bids received for their purchase and awards the sale and authorizes the execution and delivery of the Bonds.

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APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

The Commissioner's Order authorizing the issuance of the Bonds will contain provisions enabling participating underwriters in the primary offering of the Bonds to comply with the requirements of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, paragraph (b)(5), in substantially the following form:

Section 3. *Official Statement; Continuing Disclosure.*

3.01. *Official Statement.* The Official Statement relating to the Bonds, dated November 14, 2006 (the "Official Statement"), is a final official statement within the meaning of Securities and Exchange Commission Regulation, 17 C.F.R. Section 240.15c2-12, as in effect and interpreted from time to time ("Rule 15c2-12"). The initial purchasers of the Bonds designated in Section 13.03 of the Order (the "Initial Purchasers") are authorized and directed to distribute the Official Statement to all persons to whom the Bonds are reoffered.

3.02. *Continuing Disclosure.*

(a) General Undertaking. On behalf of the State, the Commissioner covenants and agrees with the Registered Owners from time to time of the Bonds to comply with Rule 15c2-12, paragraph (b)(5); and, for this purpose, to provide to nationally recognized municipal securities information repositories and any Minnesota state information depository, annual financial information of the type included in the Official Statement and notice of the occurrence of certain specified events which materially affect the terms, payment, security, rating or tax status of the Bonds, as set forth in this Section. The State is the only "obligated person" in respect of the Bonds within the meaning of Rule 15c2-12. As used in this Section 3.02, "Registered Owner" 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 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 is treated as the owner of the Bond for federal income tax purposes.

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

(1) On or before December 31 of each year, commencing in 2006 (each a "Reporting Date"):

(A) The Comprehensive Annual Financial Report of the State for the Fiscal Year ending on the previous June 30, prepared by the Department of Finance in accordance with generally accepted accounting principles for governmental entities as prescribed by the Government Accounting Standards Board 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, noting the variances therefrom and the effect thereof, together with an independent auditor's report prepared with respect thereto by the Office of the Legislative

Auditor of the State or other auditing authority designated by State law; provided, however, that if audited financial statements are not available by such date, the financial statements to be delivered shall be unaudited, but the State undertakes and agrees to provide, within ten (10) days after the receipt thereof by the State, the audited general purpose financial statements of the State and the related audit report described above; and

(B) To the extent not included in the financial statements referred to in clause (A) hereof, the information for such Fiscal Year of the type contained in the Official Statement, which information may be unaudited.

Any or all of the information may be incorporated by reference from other documents, including official statements, which have been submitted to each of the repositories referred to under this paragraph (b) or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Commissioner shall clearly identify in the information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the State have materially changed or been discontinued, such Disclosure Information need no longer be provided if the State includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other State operations in respect of which data is not included in the Disclosure Information and the State 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 3.02 is amended as permitted by this paragraph (b)(1) or subsection (d), then the State 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 and 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 to 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 State to provide the information required under subparagraph (1) of this paragraph (b) at the time specified thereunder;

(B) the amendment or supplementing of this Section 3.02 pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the State under subsection (d)(2);

(C) the termination of the obligations of the State under this Section 3.02 pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the information required under subparagraph (1) of this paragraph (b) are prepared; and

(E) any change in the fiscal year of the State.

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

(1) the information described in subparagraph (1) of paragraph (b), to each then nationally recognized municipal securities information repository under Rule 15c2-12 and to any State information depository then designated or operated by the State of Minnesota as contemplated by Rule 15c2-12 (the "State Depository"), if any;

(2) the information described in subparagraphs (2) and (3) of paragraph (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and

(3) the information described in paragraph (b), to any rating agency then maintaining a rating of the Bonds and, at the expense of any Registered Owner, to any Registered Owner who requests in writing such information at the time of transmission under subparagraphs (1) or (2) of this paragraph (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 State in this Section 3.02 shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the State under this Section 3.02 shall terminate and be without further effect as of any date on which the State 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 State to comply with the requirements of this Section 3.02 will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule 15c2-12 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 3.02 (and the form and requirements of the Disclosure Information) may be amended or supplemented by the State from time to time, without notice to (except as provided in subparagraph (3) of paragraph (c)) or the consent of the Registered Owners of any Bonds, by an order of the Commissioner accompanied by an opinion of bond counsel, who may rely on certificates of the State and others and the opinion may be subject to customary qualifications, to the effect that: (A) such amendment or supplement (i) 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 type of operations conducted by the State, or (ii) is required by, or better complies with, the provisions of paragraph (b)(5) of Rule 15c2 12; (B) this Section 3.02 as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of Rule 15c2-12 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 Rule 15c2-12 is in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (C) such amendment or supplement does not materially impair the interests of the Registered Owners under Rule 15c2-12.

If the Disclosure Information is so amended, the Commissioner 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 3.02 is entered into to comply with the continuing disclosure provisions of Rule 15c2-12 and should be construed so as to satisfy the requirements of Rule 15c2-12.

(e) Failure to Comply; Remedies. If the State fails to comply with any provision of this Section 3.02 any person aggrieved thereby, including the Registered Owner of any outstanding Bond, 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 3.02. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section 3.02 constitute a default with respect to the Bonds or under any other provision of this Order.

(f) Further Limitation of Liability of State. If and to the extent the limitations of liability contained in subsection (e) are not effective, anything contained in this Section 3.02 to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section 3.02, the State has not obligated itself to pay damages resulting from any violation thereof. None of the agreements or obligations of the State contained herein shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the full faith and credit or taxing powers of the State.

The Commissioner of Finance is not in default of any continuing disclosure obligation with respect to any outstanding general obligation bond of the State.

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APPENDIX F

FORM OF BOND COUNSEL OPINION

Kennedy
&
Graven
CHARTERED

470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402-1458

(612) 337-9300 telephone
(612) 337-9310 fax
http://www.kennedy-graven.com

The Honorable Peggy S. Ingison
Commissioner of Finance
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $35,000,000 State of Minnesota
911 Revenue Bonds
(Public Safety Radio Communications System Project)
Series 2006

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Finance of the State of Minnesota (the "State"), on behalf of the State, preliminary to and in issuance by the State of its 911 Revenue Bonds (Public Safety Radio Communications System Project), Series 2006, dated November 1, 2006 (the "Bonds"). The Bonds recite that they are issued under and pursuant to, and are in strict conformity with, the constitution and laws of the State. We have also examined the constitution and statutes of the State and the form of bond prepared for this issue. From such examination, assuming the authenticity of the proceedings examined and the correctness of the facts and estimates so certified, and based upon laws, rules, regulations and judicial decisions now in effect, it is our opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the State, including Laws of Minnesota 2005, Chapter 136, Article 1, Section 9, Subdivision 8, and Minnesota Statutes, Section 403.275 (the "Act"), and under and pursuant to an Order of the Commissioner of Finance, dated as of November 1, 2006 (the "Order").

2. The Bonds constitute valid and binding special, limited obligations of the State payable solely from and secured by the 911 Fee Revenues, as defined and provided in the Order. The Bonds are not secured by the full faith and credit and taxing powers of the State and are not a general obligation or indebtedness of the State within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the State. The Bonds and the Order are enforceable in accordance with their terms in the District Court of Ramsey County, Minnesota, except as such

enforcement may be limited or rendered ineffective by judicial decisions or the application of principles of equity relating to or affecting the enforcement of creditor's rights or contractual obligations generally.

3. Interest on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates, or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates, and trusts; and (d) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal and Minnesota alternative minimum taxes.

The opinions expressed in paragraph 3 above are subject to the condition of the State's compliance with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes. Noncompliance by the State following the issuance of the Bonds with covenants made by the Commissioner of Finance in the Order authorizing the issuance of the Bonds relating to certain continuing requirements of the Code may result in inclusion of interest to be paid on the Bonds in gross income of the recipient for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds. No provision has been made for an increase in the interest payable on the Bonds in the event that the interest payable thereon becomes includable in gross income for federal or Minnesota income tax purposes. Except as stated in this opinion, we express no opinion regarding federal, state, and other tax consequences to holders of the Bonds.

Dated: November 22, 2006.

APPENDIX G

DEFINITION OF RATINGS

Moody's Investors Service, Inc.:

Aaa — Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Standard & Poor's Ratings Group:

AAA — Debt rated "AAA" has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

Fitch Investors Service, L.P.:

AAA — Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal which is unlikely to be affected by reasonably foreseeable events.

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APPENDIX H

MBIA INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Assistant Secretary

STD-R-7
01.05