

**In the Matter of Application of Otter Tail  
Corporation Under Minnesota Statutes, Section  
216B.50 To Form New Holding Company**

**MPUC Docket No.:** \_\_\_\_\_

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Fergus Falls office: 215 S. Cascade Street  
P. O. Box 496  
Fergus Falls, MN 56538-0496  
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June 3, 2008

Dr. Burl Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 East Seventh Place, Suite 350  
St. Paul, MN 55101

RE: In the Matter of Application of Otter Tail Corporation Under Minnesota Statutes, Section 216B.50 To Form New Holding Company

Dear Dr. Haar:

Otter Tail Corporation (the "Company") herewith submits through an electronic filing an Application Under Minnesota Statutes, Section 216B.50 To Form New Holding Company.

Applicants respectfully request this filing be accepted as being in full compliance with the filing requirements of the Minnesota Public Utilities Commission.

If you have any questions regarding this filing, please contact Bruce Gerhardson, Associate General Counsel, Otter Tail Corporation, (218) 998-7108.

Very truly yours,

/s/ George Koeck  
George Koeck,  
General Counsel & Corporate Secretary

/s/ Bruce Gerhardson  
Bruce Gerhardson,  
Associate General counsel

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA        )    In the Matter of Application of Otter Tail Corporation  
                                  )    Under Minnesota Statutes, Section 216B.50 To Form New  
                                  )    Holding Company  
COUNTY OF OTTER TAIL    )

I, Bruce Gerhardson, Associate General Counsel of Otter Tail Corporation, do hereby certify that I served the attached filing or summary thereof in the above referenced matter by e-filing, United States First Class Mail or inter-office mail as indicated.

Dr. Burl W. Haar  
Executive Secretary (two copies)  
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St. Paul, MN 55101  
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Administration  
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East River Electric Power  
Coop  
PO Drawer E  
121 Southeast First Street  
Madison, SD 57042  
*Service by U.S. Mail*

Dated this 3<sup>rd</sup> day of June, 2008.

/s/ Bruce Gerhardson  
Bruce Gerhardson  
Associate General Counsel

Subscribed and sworn to before me this 3<sup>rd</sup> day of June, 2008.

/s/ Nancy L. Olson  
Notary Public  
Otter Tail County, Minnesota  
My commission expires: 1/31/2010

STATE OF MINNESOTA

MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye	Chair
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Thomas W. Pugh	Commissioner
Phyllis Reha	Commissioner

IN THE MATTER OF )  
 )  
OTTER TAIL CORPORATION )  
 )  
APPLICATION UNDER MINNESOTA )  
STATUTES, SECTION 216B.50 TO )  
FORM NEW HOLDING COMPANY )  
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MPUC Docket No. \_\_\_\_\_

SUMMARY OF FILING

Pursuant to Minnesota Statutes, Section 216B.50 and Minnesota Rule 7825.1800 and other applicable provisions of the Minnesota Rules, Otter Tail Corporation (the "Company"), requests approval from the Minnesota Public Utilities Commission to form a new holding company pursuant to an Agreement and Plan of Merger. As part of the transaction, Otter Tail Power Company will become a separate legal corporation and a subsidiary of the holding company. Other parties to the transactions are OT Holding Company ("Holding Company") and OT Merger Co. ("Merger Co.").

STATE OF MINNESOTA

MINNESOTA PUBLIC UTILITIES COMMISSION

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Phyllis Reha	Commissioner

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 STATUTES, SECTION 216B.50 TO )  
 FORM NEW HOLDING COMPANY )  
 )  
 )

MPUC Docket No. \_\_\_\_\_

**ORIGINAL FILING**

Pursuant to Minnesota Statutes, Section 216B.50 and applicable provisions of the Minnesota Rules, Otter Tail Corporation (the "Company") requests approval from the Minnesota Public Service Commission to form a new holding company over a new, legally separate Otter Tail Power Company pursuant to an Agreement and Plan of Merger.

This filing includes the following:

1. One page summary of the filing in accordance with Minnesota Rules 7829.1300.
2. Application for Approval. As outlined in the Application for Approval and the Table of Contents to this filing, the Application for Approval, or its attachments and exhibits, include the information required by Minnesota Rules 7825.1800 regarding a Merger and 7825.1400 and 7825.1500 regarding Capital Structure.
3. Verification
4. Affidavit of Service



5. Information required under Minnesota Rules 7829.1300(4):

(A) Utilities

Otter Tail Power Company, a division  
of Otter Tail Corporation  
PO Box 496  
215 S Cascade Street  
Fergus Falls, MN 56538-0496  
Phone Number: 866-410-8780

Otter Tail Power Company – a  
subsidiary of Otter Tail Corporation  
and resulting corporation in the  
merger of Otter Tail Corporation with  
OT Merger Co.  
PO Box 496  
215 S Cascade Street  
Fergus Falls, MN 56538-0496  
Phone Number: 866-410-8780

(B) Utilities' Attorneys

George Koeck  
General Counsel & Corporate  
Secretary  
Otter Tail Corporation  
4334 18th Ave. SW, Suite 200  
PO Box 9156  
Fargo, ND 58106-9156  
Phone Number: 701-451-3567

Bruce Gerhardson  
Associate General Counsel  
Otter Tail Corporation  
215 South Cascade Street  
Fergus Falls, MN 56538-0496  
Phone Number: 218-998-7108

William J. Harmon  
Christopher W. Flynn  
Laurie M. Earl  
Jones Day  
77 West Wacker, Suite 3500  
Chicago, IL 60601  
Phone Number: 312-782-3939

Michael J. Bradley  
Moss & Barnett PA  
4800 Wells Fargo Center  
70 S. Seventh Street  
Minneapolis, MN 55402  
Phone Number: 612-877-5337

(C) Date of Filing and

June 3, 2008

Proposed Effective Date

As soon as possible after receipt of all necessary regulatory approvals and third party consents (anticipated date December 31, 2008) but in any event not more than 180 days following the Order in this docket

(D) Controlling Statute for Time in Processing Filing

None; approval is requested no later than September 1, 2008

(E) Utility personnel authorizing the filing and to whom copies of correspondence, pleadings and notices should be sent

Bruce Gerhardson  
Associate General Counsel  
Otter Tail Corporation  
PO Box 496  
215 South Cascade Street  
Fergus Falls, MN 56538-0496

See Application for Approval for Signature

In addition, correspondence, pleadings and notices should be sent to the following people:

George Koeck  
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Otter Tail Corporation  
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PO Box 9156  
Fargo, ND 58106-9156  
Phone Number: 701-451-3567

Bruce Gerhardson  
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William J. Harmon  
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Moss & Barnett PA  
4800 Wells Fargo Center  
70 S. Seventh Street  
Minneapolis, MN 55402  
Phone Number: 612-877-5337

(F) A description of the filing, the impact of the transaction on OTP, its rates and service, on affected ratepayers and the reasons for the filing

Included in Application for Approval

If additional information is required, please contact Bruce Gerhardson at 218-998-7108 or George Koeck at 701-451-3567.

Dated: June 3, 2008

Respectfully submitted,

/s/ Bruce Gerhardson

Bruce Gerhardson

Associate General Counsel

STATE OF MINNESOTA

MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	Chair
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Thomas W. Pugh	Commissioner
Phyllis Reha	Commissioner

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FORM NEW HOLDING COMPANY )

MPUC Docket No. \_\_\_\_\_

**APPLICATION FOR APPROVAL**

Otter Tail Corporation (the "Company"), hereby applies to the Minnesota Public Utilities Commission (the "Commission") for approval pursuant to Minn. Stat. §216B.50 to engage in a corporate restructuring through which Otter Tail Power Company, an operating division of the Company ("OTP"), will become a wholly-owned subsidiary of a newly formed holding company. The restructuring is consistent with the public interest and is being undertaken to separate and insulate the Company's public utility business from its other activities. After the restructuring, utility services will be provided exclusively through a stand-alone utility subsidiary (which will be named "Otter Tail Power Company" and is referred to herein as "New Otter Tail Utility"). The new holding company ("Holding Company"), which will assume the name "Otter Tail

Corporation,” will engage in non-utility activities through separate subsidiaries. There will be no changes in the manner in which electric service is provided any customers.

In support of its Application, the Company states as follows:

1. The Company is a Minnesota corporation that operates an electric utility business under the name Otter Tail Power Company in the states of Minnesota, North Dakota and South Dakota and is a public utility as defined in Minnesota Statutes, Section 216B.02. The Company is publicly held and its shares of common stock are listed on The NASDAQ Stock Market. The Company also engages in non-utility businesses in plastics, manufacturing, health services, food ingredient processing and other businesses.

2. The Company’s utility operations presently are not conducted through a separate corporate subsidiary – rather, the Company directly owns the utility assets and serves its customers through an operating division – OTP. In addition, the Company owns assets and conducts business necessary to manage both its utility and non-utility businesses. The Company’s non-utility businesses are conducted through subsidiaries. These businesses are held primarily by a first-tier subsidiary, Varistar Corporation (“Varistar”). A diagram of the Company’s current structure is attached as Attachment A-1.

3. The Company has determined that it is in the best interests of its utility customers, its shareholders, employees, and other stakeholders to reorganize into a holding company structure. Additionally, recently enacted legislation in South Dakota may effectively require the Company to separate its utility activities into a separate

subsidiary. This new law further reinforces the Company's decision to proceed with the proposed reorganization.

4. In the restructuring, the newly formed Holding Company will become the public company and ultimate parent, with two principal first-tier subsidiaries: New Otter Tail Utility, which will own and operate all of the utility assets; and Varistar, which will continue to hold the non-utility business subsidiaries. A chart showing the structure following the proposed restructuring is attached as Attachment A-2.

5. The restructuring will be accomplished through a merger. A description of the steps in the restructuring, including the formation of new entities and transfers of assets (collectively the "Transactions") is set out in Attachment A-3. Attachment A-3 contains a Glossary that identifies the entities involved in the Transactions and their names before and after completion of the Transactions and contains charts showing the various steps to accomplish the Transactions.

6. The Transactions will produce benefits for the Company's utility customers and will have little, if any, impact on the Company's shareholders, employees, vendors, and other stakeholders. Among other things, the restructuring will enhance the ability of state and federal regulatory agencies to regulate the utility business.

7. By restructuring so that the non-utility businesses are not subsidiaries of the entity that conducts the regulated utility business, the new corporate structure will further ensure that, in the event any financial difficulties were to be encountered by these non-utility businesses, it would not adversely affect utility operations.

8. As a separate subsidiary engaged only in the utility business, New Otter Tail Utility will have a capital structure fully appropriate to its business. Following the restructuring, New Otter Tail Utility will have its own capital – the common stock held by its new parent Holding Company and indebtedness or other securities held by the parent or third party lenders.

9. In preparation for the Transactions, the Company will identify all existing indebtedness as being allocated to Holding Company or New Otter Tail Utility, as appropriate. The objective of the allocation will be to ensure that New Otter Tail Utility will not be obligated on any of the Company's current indebtedness attributable to non-utility operations. The existing indebtedness categorized as "utility" will remain indebtedness of New Otter Tail Utility by operation of law, unless redeemed or refinanced. Holders of debt securities of the Company classified as "non-utility" will exchange their securities or agree to amendments which will result in these securities becoming the obligations of Holding Company. Alternatively, Holding Company may issue new securities to refinance non-utility indebtedness. The final allocation of indebtedness will depend on the extent to which necessary third party consents, or necessary refinancing, can be obtained on commercially reasonable terms. Subsequent to the Commission's order herein and prior to the effective date of the Transactions, New Otter Tail Utility will make a capital structure approval filing under Minnesota Rules 7825.1400 describing the exact capital structure resulting from the process.

10. All of the existing cumulative preferred stock of the Company will remain at the parent company level. To the extent that the utility capital structure of OTP includes a cumulative preferred stock component, however, Holding Company will



provide New Otter Tail Utility with capital that will result in a cost of capital that is not greater than the cost of the cumulative preferred stock currently enjoyed by OTP.

Accordingly, any change regarding cumulative preferred stock will have no adverse impact on utility rates.

11. The New Otter Tail Utility will have direct access to capital needed to fund improvements and expansions of its utility business. It will have direct access to the public capital markets for indebtedness or preferred stock capital. Further, if additional common equity is required, Holding Company will be able to infuse such funds.

12. New Otter Tail Utility will seek separate credit ratings for its obligations. By maintaining a strong capital structure and financial condition, and strong investment grade credit ratings, New Otter Tail Utility should be able to obtain needed capital on reasonable terms.

13. The Transactions will have no impact on the current rates charged to retail or wholesale utility customers. All customers will continue to receive the same excellent service as provided today, by the same employees. The utility business will remain under the same management. There will be no change to the location of any of the Company's current offices or service facilities. The technical, financial and managerial ability of New Otter Tail Utility to provide safe, adequate and reliable service at reasonable rates will not be diminished by the Transactions.

14. Company employees who currently perform duties for OTP will become employees of New Otter Tail Utility, with the same duties, wages and benefits. The restructuring will not result in any decrease in the number of total employees. All

collective bargaining agreements will be fully honored without change. New Otter Tail Utility will continue administrative functions now provided through OTP such as HR, IT and procurement and operating functions such as accounting, bill and invoice processing, engineering, rates and regulation, payroll, marketing and sales, fuel and energy procurement and customer service. Those Company employees who currently perform “corporate” functions, such as general management functions, will become employees of Holding Company. These Holding Company employees may provide services to New Otter Tail Utility, but only, as is now the case for shared services, pursuant to agreements ensuring that only appropriate costs are allocated to New Otter Tail Utility and with no cross-subsidization of non-utility activities. The Company does not now, and following the Transactions does not plan to, use a “service company” to provide services to entities under the Holding Company. As noted, New Otter Tail Utility will perform through its own employees most business functions related to the utility business.

15. There will be no change to the current utility facilities owned, operated or controlled by the Company and no change to the method of operation of those facilities. Accordingly, there will be no change in New Otter Tail Utility’s participation in power markets and no impact on competition in its markets. New Otter Tail Utility will continue to be a member of the Midwest Independent Transmission System Operator (“MISO”) and existing reliability and other utility organizations such as Mid-Continent Area Power Pool, Mid-Continent Energy Marketers Association and the Midwest Reliability Organization.

16. The Company currently has in place policies and procedures and other protections to ensure that utility ratepayers do not subsidize its non-utility operations.

For example, the Company has cost allocation procedures to ensure that costs directly attributable to a business are charged to that business only. Further, where there are common costs, such as corporate governance, external financial reporting, consolidated tax return preparation, shareholder services, investor relations, executive compensation and benefits and the like, the Company allocates these costs on a method that is fair and reasonable. These practices will continue unchanged.

17. Because the Company's utility business is conducted in three states, it allocates cost of service expenses, capital and other costs among the jurisdictions. The New Otter Tail Utility will continue to operate in the three states in the same way and would intend to use the existing formulae, as approved from time to time, for allocations among the jurisdictions.

18. There will be no substantive change in the allocation methods and procedures currently employed by the Company as a result of the Transactions. Certain technical changes in cost allocation documentation will be required (for example to simply recognize the new corporate entities involved). Within 30 days after the consummation of the Transactions, New Otter Tail Utility will file with the Commission for affiliated interest approval one or more sharing agreements that include the requested cost allocation methodology to be used in light of the completion of the Transactions, in accordance with Minnesota Rules 7825.1900 et seq. Thereafter, New Otter Tail Utility will fully comply with the reporting obligations of those sections.

19. New Otter Tail Utility will be a "public utility" subject fully to the regulatory authority of this Commission.

20. This Commission will have access to the books and records of Holding Company, and any affiliate of New Otter Tail Utility, to perform its regulatory function. The Commission will be able to determine if any transactions between New Otter Tail Utility and Holding Company or any Holding Company subsidiary or affiliate results in cross-subsidization or should result in disallowance of costs for rate making purposes. Under the Public Utility Holding Company Act of 2005 (“PUHCA 2005”), the Commission will have the ability to obtain any books or records that are identified by the Commission in a proceeding as are relevant to costs incurred by New Otter Tail Utility and are necessary for the effective discharge of the responsibilities of the Commission in the proceeding. Similarly, the Commission and Department of Commerce (Office of Energy Security) will have access to the New Otter Tail Utility books and records under Minn. Stat. § 216B.12.

21. New Otter Tail Utility will be a “public utility” subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”) to the same extent as the Company is now subject to FERC jurisdiction. Holding Company will be a “holding company” for purposes of PUHCA 2005 and will be required to make an informational filing with FERC within 30 days following the Transactions.<sup>1</sup> Holding Company will be required to comply with FERC regulations regarding maintaining and providing FERC access to certain books and records.

22. The Company will incur transaction costs relating to the restructuring including application or filing fees, legal fees, accounting fees and other expenses. The

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<sup>1</sup> 18 C.F.R. § 366.4(a) (2007).

Company currently estimates that these costs (after the affect of taxes) will aggregate approximately \$1.1 million. New Otter Tail Utility may seek to include some portion of the transition costs in rates, subject to regulatory approval in an appropriate proceeding. New Otter Tail Utility proposes amortizing those costs over a five-year period, effective with the close of the Transactions.

23. The Transactions will be subject to the approval by this Commission, the North Dakota Public Service Commission and the South Dakota Public Utilities Commission.

24. The Transactions must be approved by the FERC. Certain other minor Federal agency approvals may be required, such as from the Federal Communications Commission relating to radio licenses.

25. Under Minnesota law, the state in which the Company is incorporated, no approval is required from the holders of the Company's common or, assuming compliance with a financial test set out in the Company's articles of incorporation, cumulative preferred shareholders to effect the Transactions. Under Minnesota law, the Holding Company and New Otter Tail Utility must have articles of incorporation and bylaws that are substantially identical to the current articles of incorporation and bylaws of the Company.

26. The Company will review its major contracts and obligations to determine whether it will be necessary or desirable to obtain consents to the restructuring from third parties.

27. Upon receipt of necessary approvals and consents, the Company will perform the steps to complete the Transactions that are set forth on Attachment A-3. In the event approvals or consents determined by the Company to be necessary or appropriate in order to consummate the Transactions are not obtained, the Company may abandon the reorganization or attempt to restructure the Transactions as necessary and appropriate, subject to the receipt of any required additional approval of this Commission.

28. Under Minnesota law, the Commission must find that the Transactions are “consistent with the public interest.” Minn. Stat. §216B.50. In a series of decisions, the Commission has determined that the “consistent with the public interest” standard does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with the public interest. *See In the Matter of the Proposed Merger of Minnegasco, Inc. With and Into ARKLA, Inc.*, Docket No. G-008/PA-90-604 (1990). Similarly, the Commission has stated that: “The statute [Minn. Stat. §216B.50] thus does not require that proposed mergers affirmatively benefit ratepayers or the public or that they otherwise promote the public interest.” *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E, G-002/PA-99-1031, *accord In the Matter of a Request for Approval of the Acquisition of the Stock of Natrogas, Incorporated*, Docket No. G-002/PA-99-1268 (2000). Rather, the transaction need only be compatible with the public interest, and cannot contravene the public interest. *See id.*, and *In the Matter of Great Plains Natural Gas Company for Approval to Merge Great Plains Energy Corp. and its Subsidiary, Great Plains Natural Gas Company, with MDU Resources Group, Inc.*, Docket No. G-004/PA-00-184 (2000). Under this standard, the “perceived detriments must be weighed

against the perceived benefits.” *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E, G-002/PA-99-1031. If the perceived detriments do not outweigh the perceived benefits, the transaction is deemed to be consistent with the public interest. *Id.*

29. This transaction easily meets the “consistent with the public interest” standard. There are no perceived or perceivable detriments. As discussed, there will no adverse impact on customers, service quality or employees. The transaction will produce significant benefits by separating the Company’s regulated and non-regulated functions.

30. Under the statute, the Commission need not hold a public hearing.

31. This filing complies with the requirements of Minnesota Rules 7825.1800 as provided in the following attachments.

7825.1800	Filing Requirements for Merger  Addressed in response to 7825.1400, in this Application for Approval and in Attachment H and Attachment G to this Application
7825.1400	Filing Requirements for Capital Structure Approval. (Provides information called for in 7825.1200, 7825.1300 and 7825.1700) See Attachment G to this Application
7825.1500	Additional Information to be filed  None

WHEREFORE, for all the reasons stated herein, the Company request that the Commission (A) approve the Transactions described herein, (B) declare that all certificates of need, franchises, rate schedules, and other authorities provided or issued by operation of law or

by order of the Commission to Otter Tail Corporation d/b/a Otter Tail Power Company, be deemed to be held by the newly formed New Otter Tail Utility, to be named Otter Tail Power Company, a subsidiary of Holding Company, effective upon merger closing, as though such certificates, franchises, rate schedules, and other authorities were issued by the Commission to New Otter Tail Utility.

Dated: June 3, 2008

Respectfully submitted,

Otter Tail Corporation

By /s/ Bruce Gerhardson

Name: Bruce Gerhardson

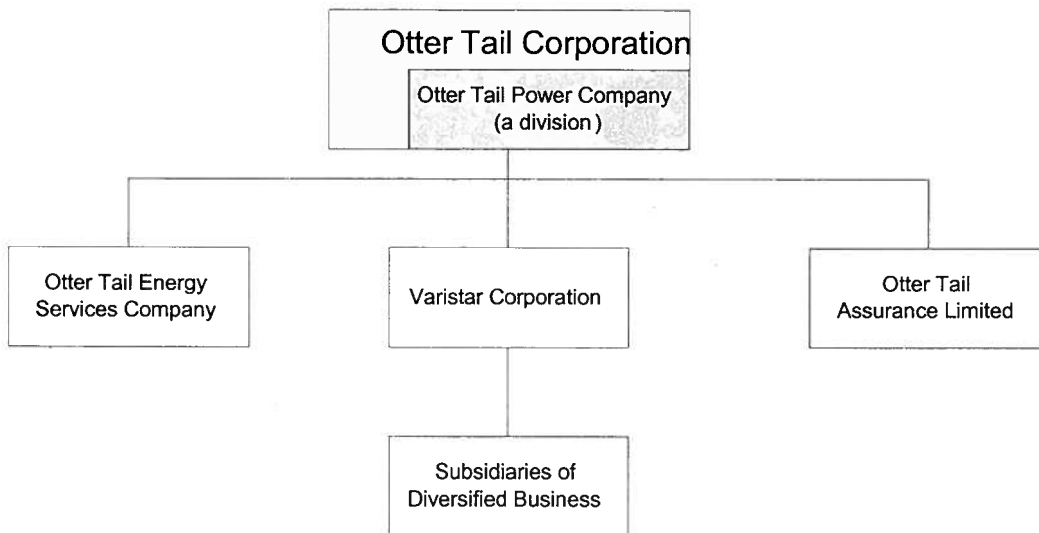
Title: Associate General Counsel



**Attachment A-1**

**ORGANIZATION CHART**

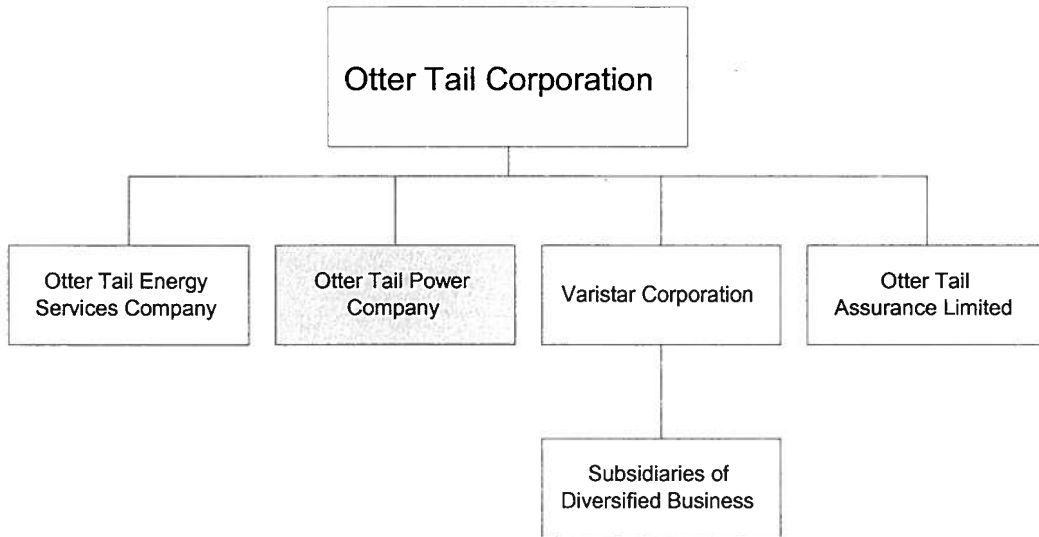
**CURRENT STRUCTURE**



**Attachment A-2**

**ORGANIZATION CHART**

**NEW HOLDING COMPANY STRUCTURE**



## **Attachment A-3**

### **STEPS IN REORGANIZATION**

*See the Glossary below for an explanation of the company names used in this Steps in Reorganization. A graphic representation of the Steps in Reorganization is set out following the Glossary.*

First, the Company will create a new subsidiary, Holding Company.

Second, Holding Company will create a subsidiary, OT Merger Co.

Third, the Company's shareholdings in its non-utility subsidiaries will be transferred to Holding Company as will the property, contracts, leases, rights, privileges, franchises, patents, trademarks, licenses, registrations and other assets and liabilities of the Company that pertain to the operation of the new holding company and that are not specific to the operation of the utility business. The Company's existing indebtedness will be categorized as either "utility" or "non-utility."

Fourth, the Company (which now consists only of the utility business) will merge with OT Merger Co., with the Company being the surviving corporation. As a matter of law, all the assets and liabilities and rights and obligations of the utility business will reside in the surviving corporation, which will thereafter be named "Otter Tail Power Company."

## Consequences of the Merger

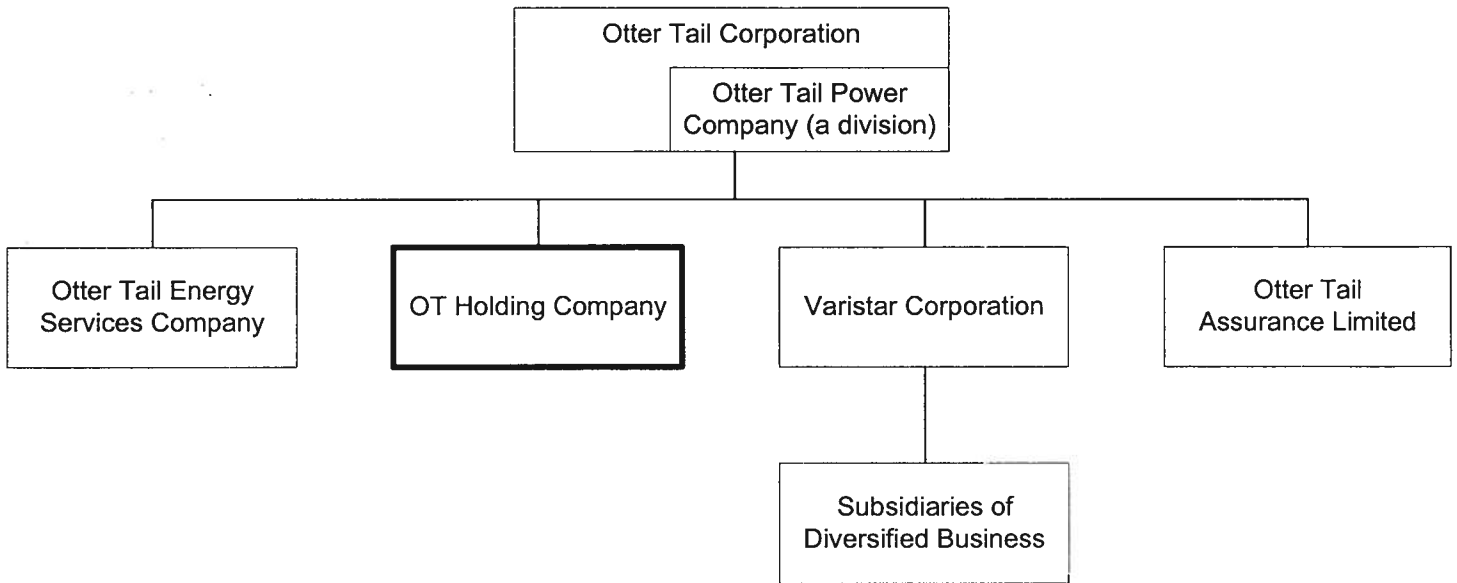
- The shareholders of the Company will receive for each share of common or cumulative preferred stock held at the time of the merger, one share of common or cumulative preferred stock, respectively, of Holding Company, which will thereafter be named Otter Tail Corporation.
- Each outstanding option or right to purchase shares of the Company's common stock pursuant to the Company's stock incentive plan or employee stock purchase plan will be converted into an option or right to purchase, on the same terms and conditions, an identical number of shares of common stock of Holding Company.
- New Otter Tail Utility will be authorized under its Articles of Incorporation to issue cumulative preferred stock, but after the transaction. Will have securities outstanding designed to result in a cost of capital that is not greater than the cost of the cumulative preferred stock currently outstanding for OTP.
- The existing indebtedness categorized as "utility" will remain indebtedness of New Otter Tail Utility by operation of law, unless redeemed or refinanced.
- Holders of debt securities of the Company classified as "non-utility" will exchange their securities or agree to amendments which will result in these securities becoming the obligations of Holding Company. Alternatively, Holding Company may issue new securities to refinance non-utility indebtedness.

## Glossary

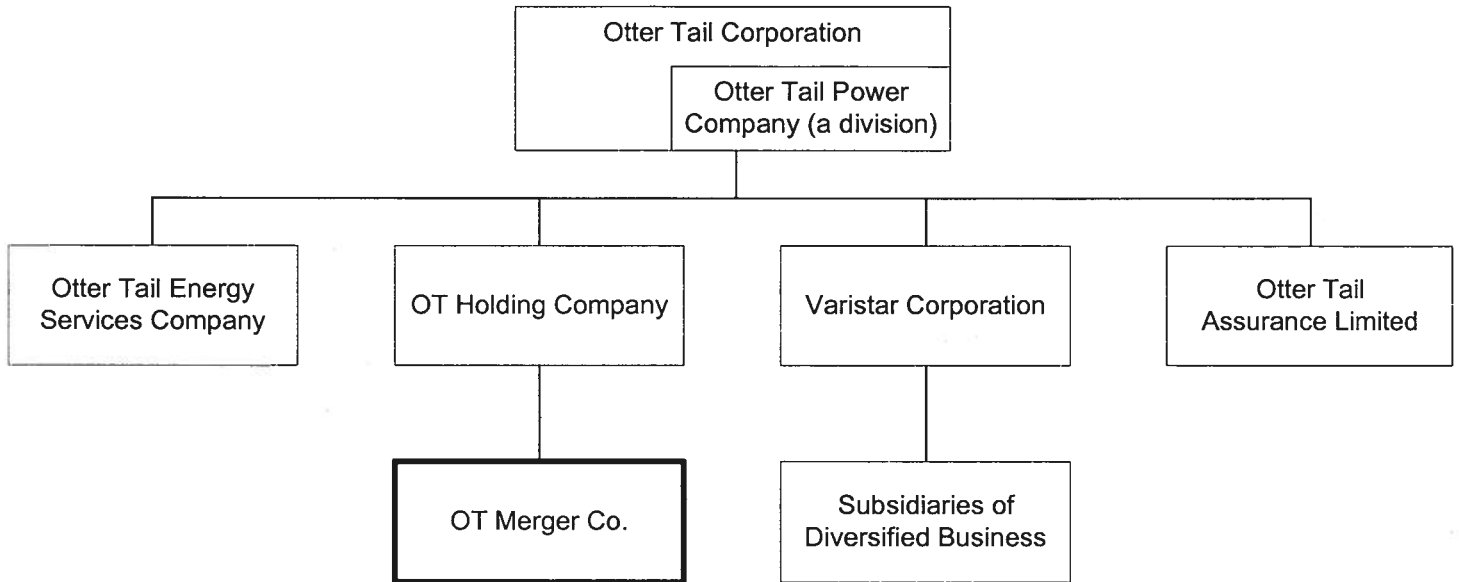
The Company	Otter Tail Corporation as it exists before the transactions
OTP	Otter Tail Power Company, a division of the Company, as it exists before the transactions
Holding Company	Initially a first tier subsidiary of the Company, formed under the name OT Holding Company for purposes of the transaction. It will become the top public holding company under the name Otter Tail Corporation upon completion of the transaction.
OT Merger Co.	Initially a second tier subsidiary of the Company and a direct subsidiary of OT Holding Company formed under the name OT Merger Co. The Company will merge with OT Merger Co. with the Company (which at that time will hold the assets and liabilities of the utility business) as the surviving corporation. Effective with the merger, OT Merger Co. will change its name to Otter Tail Power Company.
New Otter Tail Utility	The utility company subsidiary of Holding Company following the transaction (which is the surviving corporation of the merger of the Company with OT Merger Co.), which will be named Otter Tail Power Company after the merger.

**Graphic Representation**  
**Of**  
**Steps in Reorganization**

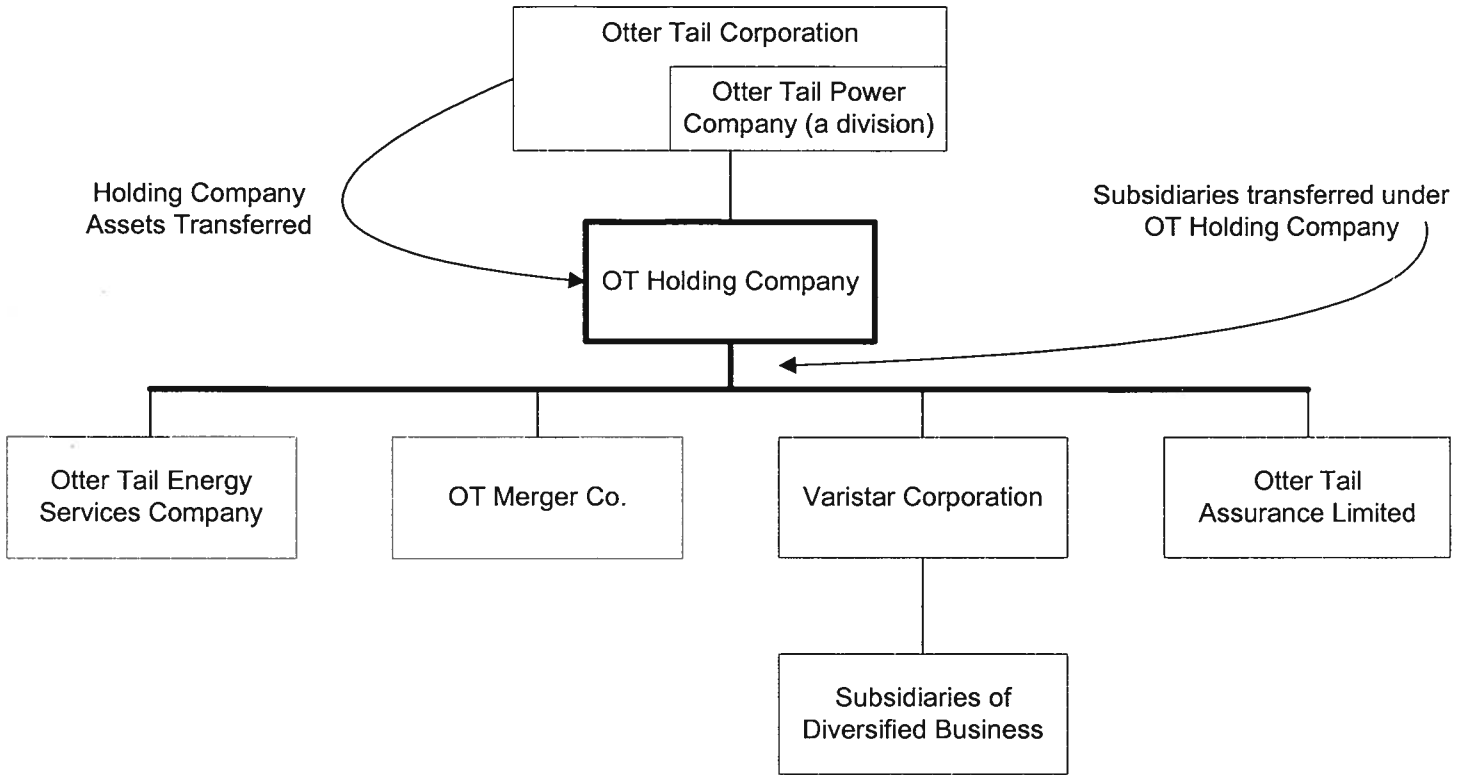
**Step 1. Formation of "OT Holding Company"**



## Step 2. Formation of "OT Merger Co."

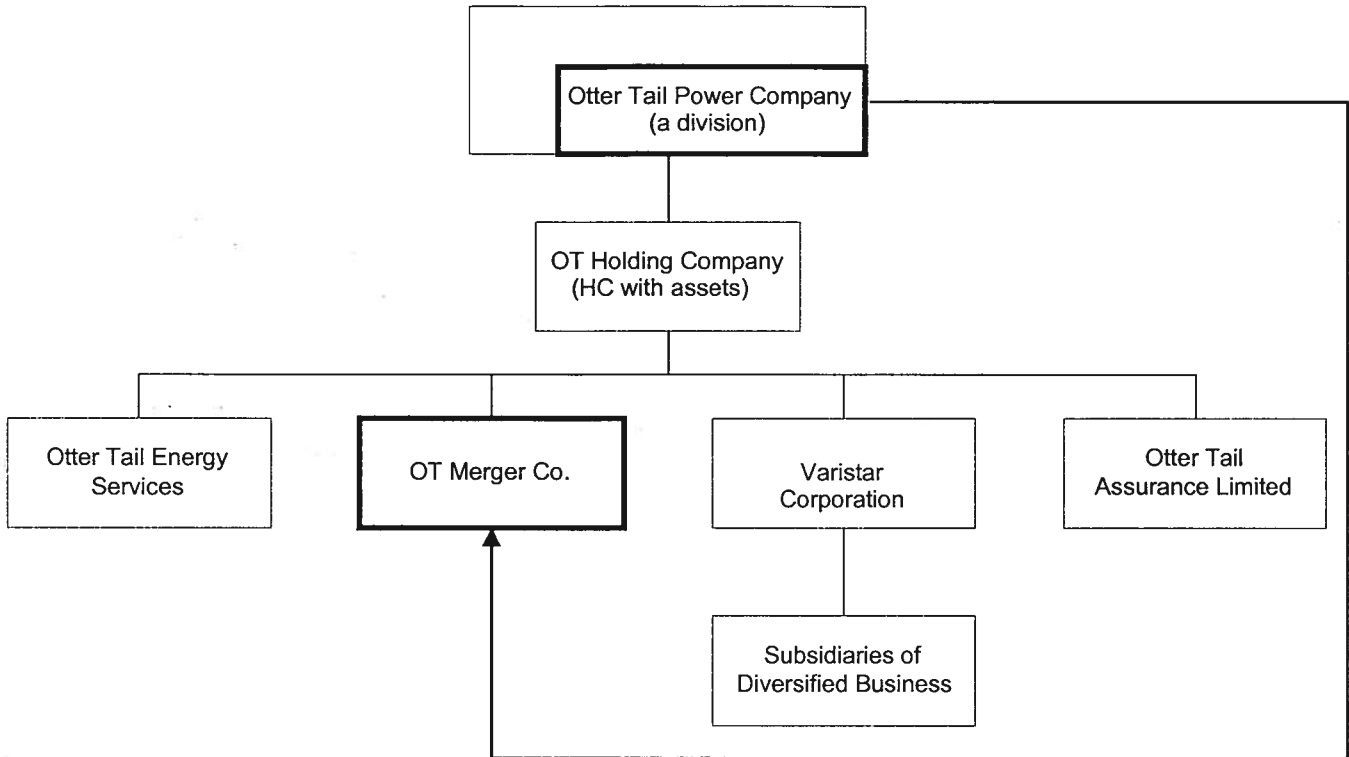


### Step 3. Transfer of Assets and Subsidiaries

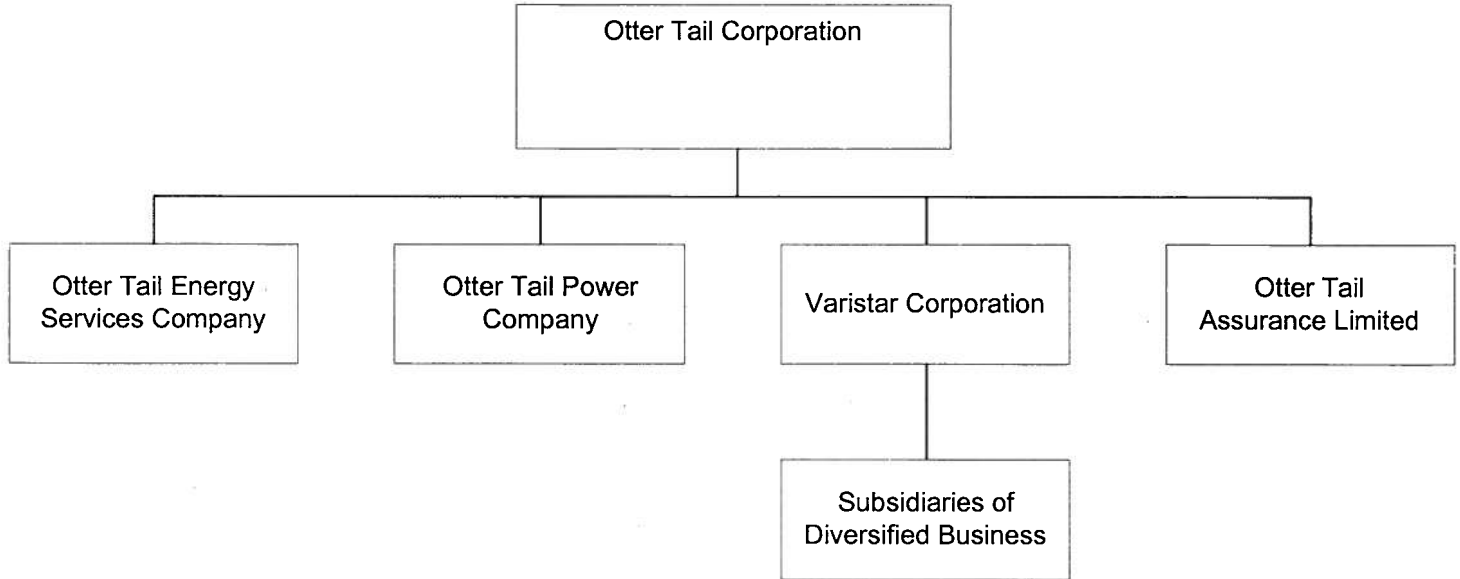




**Step 4. Otter Tail Corporation,  
with only utility assets,  
merges with OT Merger Co**



# FINAL RESULT



ATTACHMENT B

Articles of Incorporation of New Otter Tail Utility

**FORM OF  
ARTICLES OF INCORPORATION  
OF  
OTTER TAIL POWER COMPANY**

**ARTICLE I.**

The name of the corporation shall be Otter Tail Power Company.

**ARTICLE II.**

The purposes of the corporation shall be as follows:

(a) To generate, produce, buy or in any manner acquire, and to sell, dispose of, and distribute electricity for light, heat and power and other purposes, and to carry on the business of furnishing, supplying, manufacturing, and selling light, heat, power, gas, water, and steam, and any and all business incidental thereto; and to build, construct, develop, improve, buy, acquire by condemnation or otherwise, hold, own, lease, maintain and operate plants, facilities, systems, and works for the manufacture, generation, production, accumulation, transmission, and distribution of electricity, gas, water, and steam, and to exercise rights of condemnation and eminent domain in connection with the doing of any of its purposes as herein set forth so far as may be permissible by law.

(b) To produce, mine, buy, sell, store, market, deal in, and prospect for, coal, oil and minerals of all kinds and the products and by-products thereof.

(c) To manufacture, buy, sell, trade, and deal in goods, wares, merchandise, property, and commodities of any and every class and description.

(d) To purchase, acquire, and lease, and to sell, lease, and dispose of water, water rights, and power privileges for power, light, heat, mining, milling, irrigation, agricultural, domestic or any other use or purpose.

(e) To acquire, hold, mortgage, pledge, or dispose of the shares, bonds, securities, and other evidences of indebtedness of any domestic or foreign corporation.

(f) To endorse or guarantee the promissory notes, checks, drafts, evidences of indebtedness or obligations of whatsoever nature of any corporation, domestic or foreign, of which the corporation shall own or control, directly or indirectly a majority of the stock then entitled to elect directors, or a majority thereof.

(g) To do or perform any and all lawful business necessary, essential or expedient to the proper conduct of any of the purposes aforesaid.

**ARTICLE III.**

The period of duration of the corporation shall be perpetual.

## ARTICLE IV.

The location and post-office address of the registered office of the corporation in Minnesota is 215 Cascade Street South, Fergus Falls, Minnesota 56537.

## ARTICLE V.

The total authorized number of shares of the corporation is 52,500,000, divided into three classes; namely, 1,500,000 Cumulative Preferred Shares without par value (the "Cumulative Preferred Shares"); 1,000,000 Cumulative Preference Shares without par value (the "Cumulative Preference Shares"); and 50,000,000 Common Shares of the par value of \$5 per share (the "Common Shares"). No fractional shares of any class or series shall be issued by the corporation.

## ARTICLE VI.

The designations, relative rights, voting power, preferences and restrictions of the Cumulative Preferred Shares, the Cumulative Preference Shares and the Common Shares, respectively, shall be as set forth in Division I through Division VI, inclusive, of this Article VI.

The term "subordinate shares," when hereinafter in this Article VI used with reference to shares junior to the Cumulative Preferred Shares, means the Cumulative Preference Shares, the Common Shares and shares of any other class, which may hereafter be authorized, ranking junior to the Cumulative Preferred Shares with respect to the payment of dividends or the distribution of assets; and when hereinafter used with reference to shares junior to the Cumulative Preference Shares, means the Common Shares and shares of any other class, which may hereafter be authorized, ranking junior to the Cumulative Preference Shares with respect to the payment of dividends or the distribution of assets.

## DIVISION I

### Provisions Relating to Cumulative Preferred Shares

A. Issue in Series. The Cumulative Preferred Shares may be issued from time to time in one or more series, each of which series shall have such designation and such relative rights, voting power, preferences and restrictions as are hereinafter provided and, to the extent hereinafter permitted, as are determined and stated by the Board of Directors in the resolution or resolutions authorizing the creation of shares of such series.

All Cumulative Preferred Shares shall be of equal rank and shall be identical, except in respect of their relative voting power (determined as hereinafter provided in Division IV) and the particulars that may be determined by the Board of Directors as hereinafter provided; and each share of each series shall be identical in all respects with the other shares of such series, except as to the dates from which dividends thereon shall be cumulative. Cumulative Preferred Shares shall be issued only as fully paid and nonassessable shares.

Subject to the provisions of the last paragraph of this Subdivision A, authority is hereby expressly granted to the Board of Directors to authorize the issuance of Cumulative Preferred

Shares in one or more series, and to determine and state, by the resolution or resolutions authorizing the creation of each series: (i) the designation of the series and the number of shares which shall constitute such series, which number may be altered from time to time by like action of the Board of Directors in respect of shares then unallotted; (ii) the annual rate of dividends payable on shares of such series; (iii) the price or prices per share at which the shares of such series shall be redeemable; (iv) the amount payable on shares of such series in the event of any dissolution, liquidation or winding up of the affairs of the corporation, which amount may differ in the case of a voluntary or involuntary dissolution, liquidation or winding up of such affairs; (v) the conversion rights, if any, with respect to the conversion of shares of such series into Common Shares of the corporation; and (vi) the sinking or purchase fund provisions, if any, for the mandatory redemption or purchase of shares of such series.

In the case of each series of Cumulative Preferred Shares created after April 1, 1977, the amount (in addition to accrued and unpaid dividends, if any) which the holders of shares of such series shall be entitled to receive in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be involuntary shall be equal to the gross consideration received by the corporation upon the issuance thereof (without regard to any premium received or any underwriting discount or commission, private placement fee or other expense incurred by the corporation in connection with the issuance thereof).

B. Dividends. Before any dividends on any subordinate shares shall be paid or declared and set apart for payment, the holders of the Cumulative Preferred Shares of each series shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for such purpose, cash dividends at the annual rate for such series theretofore fixed by the Board of Directors as hereinbefore provided, and no more, payable quarterly on such dates as may be fixed in the resolution or resolutions adopted by the Board of Directors authorizing the creation of such series. Such dividends shall be paid to shareholders of record on the respective dates, not exceeding twenty (20) days prior to such payment dates, fixed by the Board of Directors for such purpose. Such dividends shall be cumulative, in the case of shares of each particular series:

(1) if issued prior to the record date for the first dividend on shares of such series, then from and including the date fixed for such purpose by the Board of Directors in the resolution or resolutions creating such series;

(2) if issued during the period commencing immediately after the record date for a dividend on shares of such series and terminating at the close of the payment date for such dividend, then from and including such last mentioned dividend payment date;

(3) otherwise from and including the quarterly dividend payment date next preceding the date of issue of such shares.

No dividend shall be paid, or declared and set apart for payment, upon any Cumulative Preferred Shares of any series for any quarterly dividend period unless at the same time a like proportionate dividend for the same or comparable quarterly period, ratable in proportion to the respective annual dividend rates fixed therefor, shall be paid, or declared and set apart for payment, upon all Cumulative Preferred Shares of all series then issued and outstanding.

In no event shall any dividend be paid or declared, nor shall any distribution be made, on any subordinate shares, nor shall any subordinate shares be purchased, redeemed or otherwise acquired by the corporation for value, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of any subordinate shares, unless (i) all dividends on the Cumulative Preferred Shares of all series for all past quarterly dividend periods and for the then current quarterly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart for payment; and (ii) the corporation shall not be in default or deficient under any requirement of a sinking or purchase fund established with respect to outstanding Cumulative Preferred Shares of any series for any period then elapsed.

Subject to the provisions of this Article VI, and not otherwise, dividends may be declared by the Board of Directors and paid from time to time, out of any funds legally available therefor, upon the then outstanding subordinate shares, and the holders of the Cumulative Preferred Shares shall not be entitled to participate in any such dividends.

C. Redemption of Cumulative Preferred Shares. Subject to the limitations stated in Subdivision D of this Division I, the Cumulative Preferred Shares of any or all series may be redeemed, as a whole at any time or in part from time to time, at the option of the corporation by resolution of the Board of Directors, at the applicable redemption price for the shares of such series as determined by the Board of Directors in the resolution or resolutions authorizing the creation of such series, together with an amount (hereinafter referred to as "accrued dividends to the redemption date") in the case of each share, computed at the annual dividend rate for the series of which the particular share is a part, from and including the date on which dividends on such shares become cumulative to and including the date of redemption, less the aggregate amount of all dividends which have theretofore been paid thereon or which have been declared thereon and for which moneys for payment have been set apart and remain available for payment. To the extent that Cumulative Preferred Shares of any series are redeemed through the operation of a sinking or purchase fund provided for in the resolution or resolutions of the Board of Directors creating such series, such shares shall be redeemed by resolution of the Board of Directors at the time and at the applicable redemption price specified for redemption of shares of such series pursuant to such sinking or purchase fund by the resolution or resolutions creating such series. If less than all the outstanding Cumulative Preferred Shares of any series are to be redeemed, the shares to be redeemed shall be determined by lot in such manner as the Board of Directors may prescribe.

Notice of every redemption of Cumulative Preferred Shares shall be mailed, addressed to the holders of record of the shares to be redeemed at their respective addresses as they shall appear on the stock books of the corporation, not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption.

If notice of redemption shall have been duly given as aforesaid, and if, on or before the redemption date specified in the notice, all funds necessary for the redemption shall have been deposited in trust with a bank or trust company in good standing and doing business at any place within the United States, having capital, surplus and undivided profits aggregating at least \$1,000,000 and designated in the notice of redemption, for the pro rata benefit of the holders of the shares so called for redemption, so as to be and continue to be available therefor, then from

and after the date of such deposit, notwithstanding that any certificate for Cumulative Preferred Shares so called for redemption shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, the dividends thereon shall cease to accumulate from and after the date fixed for redemption, and all rights with respect to the Cumulative Preferred Shares so called for redemption shall forthwith on the date of such deposit cease and terminate, except only the right of the holders thereof to receive the redemption price of the shares so redeemed, including accrued dividends to the redemption date, but without interest. Any funds deposited by the corporation pursuant to this paragraph and unclaimed at the end of six (6) years after the date fixed for redemption shall be repaid to the corporation upon its request expressed in a resolution of its Board of Directors, after which repayment the holders of the shares so called for redemption shall look only to the corporation for the payment thereof.

All Cumulative Preferred Shares converted, redeemed or purchased voluntarily or pursuant to any sinking fund or purchase fund for the mandatory redemption or purchase of shares shall be retired and cancelled and shall have the status of authorized but unissued Cumulative Preferred Shares of the corporation and may be reissued in the same manner as authorized but unissued Cumulative Preferred Shares undesignated as to series.

D. Limitations on Purchase and Redemption of Cumulative Preferred Shares. No Cumulative Preferred Shares of any series shall be purchased, redeemed or otherwise acquired by the corporation for value, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of Cumulative Preferred Shares of any series, unless all dividends on the Cumulative Preferred Shares of all series for all past quarterly dividend periods and for the current quarterly period shall have been paid or declared and a sum sufficient for the payment thereof set apart for payment, except in the event all of the Cumulative Preferred Shares shall be called for redemption.

E. Liquidation Preferences. In the event of any dissolution, liquidation or winding up of the affairs of the corporation, before any distribution or payment shall be made to the holders of any subordinate shares, the holders of the shares of each series of Cumulative Preferred Shares shall be entitled to be paid in full the respective amounts fixed by the Board of Directors in the resolution or resolutions authorizing the issue of such series, together with a sum, in the case of each share, computed at the annual dividend rate for the series of which the particular share is a part, from the date on which dividends on such shares became cumulative to and including the date fixed for such distribution or payment, less the aggregate amount of all dividends which have theretofore been paid thereon or which have been declared thereon and for which moneys have been set apart and remain available for payment. If such distribution or payment shall have been made to the holders of the Cumulative Preferred Shares, or moneys made available for such payment in full, the remaining assets and funds of the corporation shall be distributed among the holders of the classes of subordinate shares, according to their respective rights and preferences and in each case according to their respective shares. If the assets available are not sufficient to pay in full the amounts so payable to the holders of all outstanding Cumulative Preferred Shares, the holders of all series of such shares shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. The consolidation or merger of the corporation into or with any other corporation or corporations pursuant to the statutes of the State of Minnesota providing



for consolidation or merger shall not be deemed a liquidation, dissolution or winding up of the affairs of the corporation within the meaning of any of the provisions of this Subdivision E.

F. Voting and Restrictions on Certain Corporate Action. The holders of the Cumulative Preferred Shares shall not be entitled to vote at any meetings of the shareholders of the corporation, except as required by law or as hereinafter otherwise provided in this Subdivision F and in Division IV:

(1) So long as any Cumulative Preferred Shares of any series are outstanding, the corporation shall not without the consent (given by vote at a special meeting of shareholders called for the purpose) of the holders of at least two-thirds (2/3) of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preferred Shares of all series then outstanding:

(a) Create, authorize or issue any shares of any class ranking prior to, or any securities of any kind or class convertible into shares of any class ranking prior to, the Cumulative Preferred Shares as to dividends or assets; or

(b) Amend the Articles of Incorporation so as to affect adversely any of the preferences or other rights of the holders of the Cumulative Preferred Shares, provided, however, that if any such amendment would affect adversely the holders of one or more, but not all, of the series of Cumulative Preferred Shares at the time outstanding, consent only of the holders of at least two-thirds (2/3) of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the shares of each series so adversely affected shall be required.

(2) So long as any Cumulative Preferred Shares of any series are outstanding, the corporation shall not without the consent (given by vote at a special meeting of shareholders called for the purpose) of the holders (i) of at least a majority of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preferred Shares of all series then outstanding, or (ii) in case of the negative vote at such meeting of the holders of more than one-fourth (1/4) of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preferred Shares of all series then outstanding, of at least two-thirds (2/3) of aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preferred Shares of all series then outstanding:

(a) Increase the authorized number of Cumulative Preferred Shares, or create, authorize or issue any shares of any class ranking on a parity with the Cumulative Preferred Shares as to dividends or assets, or any securities of any kind or class convertible into Cumulative Preferred Shares or shares of any class on a parity with the Cumulative Preferred Shares; or

(b) Issue any Cumulative Preferred Shares of any series if as a result thereof more than 60,000 Cumulative Preferred Shares of all series will then be outstanding, unless:

(i) The corporation's "Adjusted Income Available for Interest," as hereinafter defined, shall be at least equal to one-and-one-half (1-1/2) times the corporation's "Adjusted Interest and Preferred Charges," as hereinafter defined; and

(ii) The corporation's "Adjusted Income Available for Preferred Dividends," as hereinafter defined, shall be at least equal to two-and-one-half (2-1/2) times the corporation's "Adjusted Preferred Charges," as hereinafter defined; and

(iii) The corporation's "Common Share Equity," as hereinafter defined, shall equal at least one-fourth (1/4) of the corporation's "Total Capitalization," as hereinafter defined; or

(c) Declare, pay or set apart for payment any dividend on any subordinate shares, or purchase, redeem or otherwise acquire for value any subordinate shares, or pay or set aside or make available any moneys for a purchase fund or sinking fund for the purchase or redemption of any such subordinate shares, unless after giving effect to the payment of such dividend or such purchase, redemption or other acquisition of such payment or setting aside of moneys in a purchase fund or sinking fund,

(i) The "Common Share Equity," as hereinafter defined, shall equal at least one-fourth (1/4) of the "Total Capitalization," as hereinafter defined; and

(ii) The earned surplus of the corporation shall be not less than \$831,398.

(d) Consolidate or merge into or with any other corporation or corporations pursuant to the statutes of the State of Minnesota providing for consolidation or merger, unless, immediately after such consolidation or merger shall become effective:

(i) The Cumulative Preferred Shares of the corporation outstanding immediately prior to such consolidation or merger shall remain outstanding or be constituted as shares of the corporation resulting from such consolidation or merger in the same number and with the same relative rights, voting power, preferences and restrictions as theretofore, the authorized number thereof shall not be increased, there shall be no shares of the resulting corporation outstanding or authorized ranking prior to or on a parity with the Cumulative Preferred Shares, except shares of the corporation outstanding or authorized immediately prior to such consolidation or merger, and the indebtedness for borrowed money of the resulting corporation immediately after such consolidation or merger shall be no greater than the indebtedness for borrowed money of the corporation immediately preceding such consolidation or merger; or

(ii) (aa) The “Adjusted Income Available for Interest,” as hereinafter defined, of the resulting corporation shall be at least equal to one-and-one-half (1-1/2) times its “Adjusted Interest and Preferred Charges,” as hereinafter defined; and

(bb) The “Adjusted Income Available for Preferred Dividends,” as hereinafter defined, of the resulting corporation shall be at least equal to two-and-one-half (2-1/2) times its “Adjusted Preferred Charges,” as hereinafter defined; and

(cc) The “Common Share Equity,” as hereinafter defined, of the resulting corporation shall equal at least one-fourth (1/4) of its “Total Capitalization,” as hereinafter defined.

(e) Sell, lease or exchange all or substantially all of its property and assets, unless, after the completion of such transaction, the fair value of the assets of the corporation shall at least equal the preference on voluntary liquidation of all Cumulative Preferred Shares of all series then outstanding and of all shares then outstanding of a class on parity with the Cumulative Preferred Shares, after first deducting an amount equal to all then existing indebtedness of the corporation and an amount equal to the preference on voluntary liquidation of all shares ranking prior to the Cumulative Preferred Shares.

(3) For the purposes of the foregoing provisions of this Subdivision F:

(a) The term “Adjusted Income Available for Interest” shall mean the gross income of the corporation for a period of twelve (12) consecutive calendar months selected by the corporation out of the fifteen (15) calendar months immediately preceding the proposed issuance of additional Cumulative Preferred Shares, or the proposed consolidation or merger, determined in accordance with such system of accounts as may be prescribed by governmental authorities having jurisdiction in the premises or, in the absence thereof, in accordance with generally accepted accounting practice, available for the payment of interest, but after deduction of taxes of all kinds (including taxes based on income) including for a like period such gross income (similarly computed and with similar deductions and eliminating any duplication of income) of any property which was or will have been an operating unit or a part of an operating unit preceding its acquisition by the corporation and which has been acquired within the past twelve (12) months immediately preceding or is to be acquired by the corporation substantially contemporaneously with the proposed issuance of additional Cumulative Preferred Shares, or the proposed consolidation or merger.

(b) The term “Adjusted Interest and Preferred Charges” is hereby defined as the sum of (i) the interest charges for one year upon all interest bearing indebtedness of the corporation outstanding at the time of issuance of such Cumulative Preferred Shares or of the proposed consolidation or merger, including that, if any, proposed to be issued or assumed substantially contemporaneously, or to which property theretofore acquired or to be acquired substantially contemporaneously is or will be subject (adjusted for all amortization of debt discount and expense, or of premium on debt, as the case may be), and (ii) the dividend requirements for one year on all outstanding Cumulative Preferred Shares, and on all other shares of a class ranking prior to or on a parity with the Cumulative Preferred Shares as to dividends or assets, outstanding at the time of issuance of such additional Cumulative Preferred Shares, or of such consolidation or merger, including all such shares proposed to be issued, or all such shares of the resulting corporation, as the case may be.

(c) The term “Adjusted Income Available for Preferred Dividends” is hereby defined as the “Adjusted Income Available for Interest” for the aforesaid twelve (12) months’ period, less the interest charges for one year and the dividend requirements for one year on any shares ranking prior to the Cumulative Preferred Shares, included in determining the “Adjusted Interest and Preferred Charges.”

(d) The term “Adjusted Preferred Charges” is hereby defined as the “Adjusted Interest and Preferred Charges” for one year determined at the time of issuance of such Cumulative Preferred Shares or of the proposed consolidation or merger, less the interest charges for one year and the dividend requirements for one year on any shares ranking prior to the Cumulative Preferred Shares, included in determining the “Adjusted Interest and Preferred Charges.”

(e) The term “Common Share Equity” is hereby defined as the sum of (i) the stated capital of the corporation applicable to its Common Shares and to all other subordinate shares (including shares, if any, proposed to be issued substantially contemporaneously or any additional such shares of the resulting corporation, as the case may be), (ii) capital surplus to the extent of premium on Common Shares and on all other subordinate shares (including premium, if any, on shares proposed to be issued substantially contemporaneously or any additional such shares of the resulting corporation, as the case may be), (iii) contributions in aid of construction, and (iv) earned surplus, all determined in accordance with such system of accounts as may be prescribed by governmental authorities having jurisdiction in the premises or, in the absence thereof, in accordance with generally accepted accounting practice.

(f) The term “Total Capitalization” is hereby defined as the sum of (i) the Common Share Equity, (ii) the involuntary liquidation preference of all Cumulative Preferred Shares and all other shares prior to or on a parity with the Cumulative Preferred Shares to be outstanding after the proposed event, and (iii) the principal amount of all interest bearing debt (including debt to which property theretofore acquired or to be acquired substantially contemporaneously

is or will be subject) to be outstanding after the proposed event, excluding, however, all indebtedness maturing by its terms within one year from the time of creation thereof unless the corporation, without the consent of the lender, has the right to extend the maturity of such indebtedness for a period or periods which, with the original period of such indebtedness, aggregates one year or more.

## DIVISION II

### Provisions Relating to Cumulative Preference Shares

A. Issue in Series. The Cumulative Preference Shares may be issued from time to time in one or more series, each of which series shall have such designation and such relative rights, voting power, preferences and restrictions as are hereinafter provided and, to the extent hereinafter permitted, as are determined and stated by the Board of Directors in the resolution or resolutions authorizing the creation of shares of such series.

All Cumulative Preference Shares shall be of equal rank and shall be identical, except in respect of their relative voting power (determined as hereinafter provided in Division IV) and the particulars that may be determined by the Board of Directors as hereinafter provided; and each share of each series shall be identical in all respects with the other shares of such series, except as to the dates from which dividends thereon shall be cumulative. Cumulative Preference Shares shall be issued only as fully paid and nonassessable shares.

Subject to the provisions of the last paragraph of this Subdivision A, authority is hereby expressly granted to the Board of Directors to authorize the issuance of Cumulative Preference Shares in one or more series, and to determine and state, by the resolution or resolutions authorizing the creation of each series: (i) the designation of the series and the number of shares which shall constitute such series, which number may be altered from time to time by like action of the Board of Directors in respect of shares then unallotted; (ii) the annual rate of dividends payable on shares of such series; (iii) the price or prices per share at which the shares of such series shall be redeemable; (iv) the amount payable on shares of such series in the event of any dissolution, liquidation or winding up of the affairs of the corporation, which amount may differ in the case of a voluntary or involuntary dissolution, liquidation or winding up of such affairs, provided that the amount in the case of an involuntary dissolution, liquidation or winding up of such affairs shall be determined as provided in the following paragraph; (v) the conversion rights, if any, with respect to the conversion of shares of such series into Common Shares of the corporation; and (vi) the sinking or purchase fund provisions, if any, for the mandatory redemption or purchase of shares of such series.

The amount (in addition to accrued and unpaid dividends, if any) which the holders of Cumulative Preference Shares of each series shall be entitled to receive in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be involuntary shall be equal to the gross consideration received by the corporation upon the issuance thereof (without regard to any premium received or any underwriting discount or commission, private placement fee or other expense incurred by the corporation in connection with the issuance thereof).

B. Dividends. Subject to the preferential rights of the holders of Cumulative Preferred Shares with respect to payment of dividends as set forth in Subdivision B of Division I, the holders of the Cumulative Preference Shares of each series shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available for such purpose, cash dividends at the annual rate for such series theretofore fixed by the Board of Directors as hereinbefore provided, and no more, payable quarterly on such dates as may be fixed in the resolution or resolutions adopted by the Board of Directors authorizing the creation of such series. Such dividends shall be paid to shareholders of record on the respective dates, not exceeding twenty (20) days prior to such payment dates, fixed by the Board of Directors for such purpose. Such dividends shall be cumulative from and including the date or dates fixed for such purpose by the Board of Directors in the resolution or resolutions authorizing the creation of such series.

No dividend shall be paid, or declared and set apart for payment, upon any Cumulative Preference Shares of any series for any quarterly dividend period unless at the same time a like proportionate dividend for the same or comparable quarterly period, ratable in proportion to the respective annual dividend rates fixed therefor, shall be paid, or declared and set apart for payment, upon all Cumulative Preference Shares of all series then issued and outstanding.

In no event shall any dividend be paid or declared, nor shall any distribution be made, on any subordinate shares, other than a dividend or distribution payable solely in subordinate shares, nor shall any subordinate shares be purchased, redeemed or otherwise acquired by the corporation for value, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of any subordinate shares, unless (i) all dividends on the Cumulative Preference Shares of all series for all past quarterly dividend periods and for the then current quarterly dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart for payment; and (ii) the corporation shall not be in default or deficient under any requirement of a sinking or purchase fund established with respect to outstanding Cumulative Preference Shares of any series for any period then elapsed.

Subject to the provisions of this Article VI, and not otherwise, dividends may be declared by the Board of Directors and paid from time to time, out of any funds legally available therefor, upon the then outstanding subordinate shares, and the holders of the Cumulative Preference Shares shall not be entitled to participate in any such dividends.

C. Redemption of Cumulative Preference Shares. Subject to the limitations stated in Subdivision B of Division I and in Subdivision D of this Division II, the Cumulative Preference Shares of any or all series may be redeemed, as a whole at any time or in part from time to time, at the option of the corporation by resolution of the Board of Directors, at the applicable redemption price for the shares of such series as determined by the Board of Directors in the resolution or resolutions authorizing the creation of such series, together with an amount (hereinafter referred to as "accrued dividends to the redemption date") in the case of each share, computed at the annual dividend rate for the series of which the particular share is a part, from and including the date on which dividends on such share became cumulative to and including the date of redemption, less the aggregate amount of all dividends which have theretofore been paid thereon or which have been declared thereon and for which moneys for payment have been set apart and remain available for payment. Each such redemption shall be effected upon the same

notice as provided in Subdivision C of Division I in respect of the redemption of Cumulative Preferred Shares, and all other provisions of said Subdivision C with respect to the method and effect of redemption of Cumulative Preferred Shares shall be applicable to the redemption of Cumulative Preference Shares in the same manner and with the same force and effect as though such provisions were set forth in full in this Subdivision C.

All Cumulative Preference Shares converted, redeemed or purchased voluntarily or pursuant to any sinking fund or purchase fund for the mandatory redemption or purchase of shares shall be retired and cancelled and shall have the status of authorized but unissued Cumulative Preference Shares of the corporation and may be reissued in the same manner as authorized but unissued Cumulative Preference Shares undesignated as to series.

D. Limitation on Purchase and Redemption of Cumulative Preference Shares. No Cumulative Preference Shares of any series shall be purchased, redeemed or otherwise acquired by the corporation for value, nor shall any moneys be paid to or set aside or made available for a purchase fund or sinking fund for the purchase or redemption of Cumulative Preference Shares of any series, unless all dividends on the Cumulative Preference Shares of all series for all past quarterly dividend periods and for the current quarterly period shall have been paid or declared and a sum sufficient for the payment thereof set apart for payment, except in event all of the Cumulative Preference Shares shall be called for redemption.

E. Liquidation Preferences. In the event of any dissolution, liquidation or winding up of the affairs of the corporation, before any distribution or payment shall be made to the holders of any class of subordinate shares, the holders of the shares of each series of Cumulative Preference Shares shall be entitled to be paid in full the respective amounts fixed by the Board of Directors in the resolution or resolutions authorizing the creation of such series together with an amount, in the case of each share, computed at the annual dividend rate for the series of which the particular share is a part, from and including the date on which dividends on such share became cumulative to and including the date fixed for such payment, less the aggregate amount of all dividends which have theretofore been paid thereon or which have been declared thereon and for which moneys have been set apart and remain available for payment; provided, however, that no such payment to the holders of Cumulative Preference Shares shall be made until payment in full shall have been made to the holders of Cumulative Preferred Shares, or moneys made available for such payment in full, in accordance with the provisions of Subdivision E of Division I. If such payment shall have been made to the holders of the Cumulative Preference Shares, or moneys made available for such payment in full, the remaining assets and funds of the corporation shall be distributed among the holders of the classes of subordinate shares according to their respective rights and preferences and in each case according to their respective shares. If the assets available are not sufficient to pay in full the amounts so payable to the holders of all outstanding Cumulative Preference Shares, the holders of all series of such shares shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. The consolidation or merger of the corporation into or with any other corporation or corporations pursuant to the statutes of the State of Minnesota providing for consolidation or merger shall not be deemed a liquidation, dissolution or winding up of the affairs of the corporation within the meaning of any of the provisions of this Subdivision E.

F. Voting and Restrictions on Certain Corporate Action. The holders of the Cumulative Preference Shares shall not be entitled to vote at any meetings of the shareholders of the corporation, except as required by law or as hereinafter otherwise provided in this Subdivision F and in Division IV:

(1) So long as any Cumulative Preference Shares of any series are outstanding, the corporation shall not, without the consent (given by vote at a special meeting of shareholders called for the purpose) of the holders of at least two-thirds (2/3) of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preference Shares of all series then outstanding:

(a) Create or authorize any shares of any class (other than the Cumulative Preferred Shares, whether now or hereafter authorized) ranking prior to the Cumulative Preference Shares as to dividends or assets; or

(b) Amend the Articles of Incorporation so as to affect adversely any of the preferences or other rights of the holders of the Cumulative Preference Shares, provided, however, that if any such amendment would affect adversely the holders of one or more, but not all, of the series of Cumulative Preference Shares at the time outstanding, consent only of the holders of at least two-thirds (2/3) of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the shares of each series so adversely affected shall be required.

(2) So long as any Cumulative Preference Shares of any series are outstanding, the corporation shall not, without the consent (given by vote at a special meeting of shareholders called for the purpose) of the holders (i) of at least a majority of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preference Shares of all series then outstanding, or (ii) in case of the negative vote at such meeting of the holders of more than one-fourth (1/4) of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preference Shares of all series then outstanding, of at least two-thirds (2/3) of the aggregate voting power (determined as hereinafter provided in Division IV) vested in the Cumulative Preference Shares of all series then outstanding:

(a) Increase the authorized number of Cumulative Preference Shares, or create or authorize any shares of any class ranking on a parity with the Cumulative Preference Shares as to dividends or assets; or

(b) Consolidate or merge into or with any other corporation or corporations pursuant to the statutes of the State of Minnesota providing for consolidation or merger unless, immediately after such consolidation or merger shall become effective, the Cumulative Preference Shares of the corporation outstanding immediately prior to such consolidation or merger shall remain outstanding or be constituted as shares of the corporation resulting from such consolidation or merger in the same number and with the same relative rights, voting power, preferences and restrictions as theretofore, the authorized number



thereof shall not be increased, and there shall be no shares of the resulting corporation outstanding or authorized ranking prior to or on a parity with the Cumulative Preference Shares, except shares of the corporation outstanding or authorized immediately prior to such consolidation or merger; or

(c) Sell, lease or exchange all or substantially all of its property and assets, unless, after the completion of such transaction, the fair value of the assets of the corporation shall at least equal the preference on voluntary liquidation of all Cumulative Preference Shares of all series then outstanding and of all shares then outstanding of a class on a parity with the Cumulative Preference Shares, after first deducting an amount equal to all then existing indebtedness of the corporation and an amount equal to the preference on voluntary liquidation of all shares ranking prior to the Cumulative Preference Shares.

### DIVISION III

#### Provisions Relating to Common Shares

A. Dividends. Subject to the preferential rights of the holders of the Cumulative Preferred Shares and the Cumulative Preference Shares with respect to the payment of dividends, as set forth in Subdivision B of Division I and Subdivision B of Division II, respectively, holders of the Common Shares shall be entitled to receive dividends, out of any funds legally available therefor, when and as declared by the Board of Directors.

B. Liquidation Preferences. In the event of any dissolution, liquidation or winding-up of the affairs of the corporation, whether voluntary or involuntary, holders of the Common Shares shall be entitled to receive ratably, in accordance with the numbers of shares held by them respectively, the assets of the corporation available for payment to shareholders remaining after payment in full shall have been made to holders of the Cumulative Preferred Shares and the Cumulative Preference Shares in accordance with the provisions of Subdivision E of Division I and Subdivision E of Division II, respectively.

### DIVISION IV

#### Voting Rights and Other Provisions Relating to Cumulative Preferred Shares, Cumulative Preference Shares and Common Shares

A. Voting Rights of Common Shares. Except as otherwise expressly set forth in this Article VI and as provided by law, the holders of Common Shares shall have the sole voting rights of shareholders of the corporation and shall be entitled to one vote for each share held, and the holders of a majority of the Common Shares outstanding shall have power to authorize the sale, lease, exchange or other disposal of all, or substantially all, of the property and assets of the corporation, including its good will, to adopt or reject an agreement of consolidation or merger and to amend the Articles of Incorporation.

B. Voting Rights of Cumulative Preferred Shares.

(1) After an amount equivalent to four (4) full quarterly dividend installments on the Cumulative Preferred Shares of any series outstanding shall be in default, the holders of Cumulative Preferred Shares of all series at the time outstanding, voting separately as a class, shall, at any annual meeting of the shareholders or any special meeting of the shareholders called as herein provided occurring during such period, elect three members of the Board of Directors, and the holders of the Common Shares, voting separately as a class, shall, subject to any rights of the holders of Cumulative Preference Shares to elect directors as provided in Subdivision C of this Division IV, elect the remaining directors of the corporation.

(2) After an amount equivalent to twelve (12) full quarterly dividend installments on the Cumulative Preferred Shares of any series outstanding shall be in default, the holders of Cumulative Preferred Shares of all series at the time outstanding, voting separately as a class, shall at any annual meeting of the shareholders or any special meeting of the shareholders called as herein provided occurring during such period, elect the smallest number of directors necessary to constitute a majority of the full Board of Directors, and the holders of the Common Shares, voting separately as a class, shall, subject to any rights of the holders of Cumulative Preference Shares to elect directors as provided in Subdivision C of this Division IV, elect the remaining directors of the corporation.

(3) At any annual meeting or special meeting of the shareholders for the election of directors occurring after all dividends then in default on the Cumulative Preferred Shares then outstanding shall be paid (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practical), the Cumulative Preferred Shares shall thereupon be divested of any special rights with respect to the election of directors provided in paragraphs (1) and (2) of this Subdivision B, but always subject to the same provisions for the vesting of such voting power in the holders of the Cumulative Preferred Shares in the case of a future like default or defaults in dividends thereon.

(4) Voting power vested in the holders of the Cumulative Preferred Shares as provided in paragraphs (1) and (2) of this Subdivision B may be exercised at any annual meeting of shareholders or at a special meeting of shareholders held for such purpose, which special meeting of shareholders shall be called by the proper officers of the corporation at any time when such voting power shall be so vested, within twenty (20) days after written request therefor signed by the holders of not less than five percent (5%) of the aggregate voting power (determined as hereinafter provided in Subdivision D of this Division IV) vested in the Cumulative Preferred Shares of all series then outstanding, the date of such special meeting to be not more than forty (40) days from the date of giving of notice thereof.

(5) Notice of any annual or special meeting of shareholders for the election of directors held when voting powers as aforesaid shall be vested in the holders of Cumulative Preferred Shares shall be given to all holders of Cumulative Preferred Shares not less than fifteen (15) days prior to said meeting, and such notice shall describe with

particularity the voting rights of the holders of each series of Cumulative Preferred Shares.

(6) At any such annual or special meeting the presence in person or by proxy of the holders of a majority of the aggregate voting power (determined as hereinafter provided in Subdivision D of this Division IV) vested in the Cumulative Preferred Shares of all series then outstanding shall be required to constitute a quorum of the holders of the Cumulative Preferred Shares for the election by them of the directors whom they are entitled to elect; provided, however, that the holders of a majority of the aggregate voting power (determined as hereinafter provided in Subdivision D of this Division IV) vested in the Cumulative Preferred Shares who are present in person or by proxy shall have power to adjourn such meeting for the election of directors by the holders of the Cumulative Preferred Shares from time to time, without notice other than announcement at the meeting.

C. Voting Rights of Cumulative Preference Shares.

(1) After an amount equivalent to four (4) full quarterly dividend installments on the Cumulative Preference Shares of any series outstanding shall be in default, the holders of Cumulative Preference Shares of all series at the time outstanding, voting separately as a class, shall, at any annual meeting of the shareholders or any special meeting of the shareholders called as herein provided occurring during such period, elect two members of the Board of Directors, and the holders of the Common Shares, voting separately as a class, shall, subject to any rights of the holders of Cumulative Preferred Shares to elect directors as provided in Subdivision B of this Division IV, elect the remaining directors of the corporation.

(2) At any annual meeting or special meeting of the shareholders for the election of directors occurring after all dividends then in default on the Cumulative Preference Shares then outstanding shall be paid (and such dividends shall be declared and paid out of any funds legally available therefor as soon as reasonably practical), the Cumulative Preference Shares shall thereupon be divested of any special rights with respect to the election of directors provided for in paragraph (1) of this Subdivision C, but always subject to the same provisions for the vesting of such voting power in the holders of the Cumulative Preference Shares in the case of a future like default or defaults in dividends thereon.

(3) All provisions of paragraphs (4), (5) and (6) of Subdivision B of this Division IV with respect to the method of exercising the special voting rights of the holders of Cumulative Preferred Shares shall be applicable to the special voting rights of the holders of Cumulative Preference Shares in the same manner and with the same force and effect as though such provisions were set forth in full in this Subdivision C.

D. Number of Votes Applicable to Each Cumulative Preferred Share and to Each Cumulative Preference Share. For the purpose of each vote or consent under the Articles of Incorporation or pursuant to applicable law, the number of votes to which each Cumulative

Preferred Share and each Cumulative Preference Share shall be entitled shall be determined as follows:

(a) In voting by holders of Cumulative Preferred Shares, separately as a class, or by series, each Cumulative Preferred Share entitled to receive the smallest fixed amount (in addition to accrued and unpaid dividends, if any) in the event of any dissolution, liquidation or winding-up of the affairs of the corporation which shall be involuntary shall have one vote, and each Cumulative Preferred Share entitled to receive a greater fixed amount (in addition to accrued and unpaid dividends, if any) in any such event shall have the number of votes which is in the same proportion as such greater amount shall be to such smallest amount;

(b) In voting by holders of Cumulative Preference Shares, separately as a class, or by series, each Cumulative Preference Share entitled to receive the smallest fixed amount (in addition to accrued and unpaid dividends, if any) in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be involuntary shall have one vote, and each Cumulative Preference Share entitled to receive a greater fixed amount (in addition to accrued and unpaid dividends, if any) in any such event shall have the number of votes which is in the same proportion as such greater amount shall be to such smallest amount; and

(c) In voting by holders of Cumulative Preferred Shares and/or Cumulative Preference Shares and/or holders of Common Shares, together as a single class, each Common Share shall have one vote, each Cumulative Preferred Share and each Cumulative Preference Share entitled to receive \$100 (in addition to accrued and unpaid dividends, if any) in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be involuntary shall have one vote and each Cumulative Preferred Share and each Cumulative Preference Share entitled to receive a different fixed amount (in addition to accrued and unpaid dividends, if any) in such event shall be entitled to such greater or lesser number of votes which is in the same proportion as such different amount shall be to \$100.

E. Number and Term of Directors and Manner of Election.

(1) Except at such times as the holders of Cumulative Preferred Shares and/or Cumulative Preference Shares shall have voting rights for the election of directors, (a) the Board of Directors shall consist of such number of persons, not less than seven (7) nor more than nine (9), as may be determined by the shareholders from time to time at annual meetings thereof (subject to the authority of the Board of Directors to increase or decrease the number of directors as permitted by law), (b) the term of office of each director other than directors elected to fill vacancies shall be for the period ending at the third annual meeting following his election and until his successor is elected and qualified, (c) vacancies in the Board of Directors occurring by reason of death, resignation, removal or disqualification shall be filled for the unexpired term of the

director with respect to whom the vacancy occurred by a majority of the remaining directors of the Board of Directors, although less than a quorum, and (d) vacancies in the Board of Directors occurring by reason of newly created directorships resulting from an increase in the authorized number of directors by action of the Board of Directors as permitted by these Articles of Incorporation and the Bylaws of the corporation shall be filled by a majority vote of the directors serving at the time of such increase, each director so elected to a newly created directorship to serve for the appropriate term so as to maintain, as near as may be, an equal division between the classes of directors. Notwithstanding any other provisions of these Articles of Incorporation or the Bylaws of the corporation or the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the Bylaws of the corporation, the affirmative vote of the holders of at least 75% of the voting power of the then outstanding Common Shares shall be required to amend, alter, adopt any provision inconsistent with or repeal this paragraph (1) of Subdivision E of this Division IV unless the Board of Directors, if all such directors are Continuing Directors, as defined in this Article VI, shall unanimously recommend such amendment, alteration, adoption or repeal.

(2) If at any time the holders of Cumulative Preferred Shares and/or Cumulative Preference Shares of the corporation shall, under the provisions of paragraph (1) of Subdivision B of this Division IV or of paragraph (1) of Subdivision C of this Division IV, become entitled to elect any directors, then the terms of all incumbent directors shall expire at the time of the first annual meeting thereafter at which such holders of Cumulative Preferred Shares and/or Cumulative Preference Shares are so entitled to elect directors. If at any time the holders of Cumulative Preferred Shares of the corporation shall, under the provisions of paragraph (2) of Subdivision B of this Division IV, become entitled to elect a majority of the Board of Directors, the terms of all incumbent directors shall expire whenever such majority has been duly elected and qualified. During any period during which the holders of Cumulative Preferred Shares and/or Cumulative Preference Shares of the corporation shall have voting rights with respect to directors under the provisions of this Division IV, the Board of Directors shall consist of eleven (11) persons and the entire number of persons composing such Board shall be elected at each annual or special meeting of shareholders for the election of directors and shall serve until the next such annual or special meeting or until their successors have been elected and qualified, provided, however, that whenever the holders of Cumulative Preferred Shares and/or Cumulative Preference Shares acquire voting rights under paragraph (1) of Subdivision B of this Division IV or under paragraph (1) of Subdivision C of this Division IV, and exercise such rights at a special meeting called therefor, the terms of office of directors theretofore elected by the holders of Common Shares will not expire until the next annual meeting. If a vacancy or vacancies in the Board of Directors shall exist with respect to a director or directors who shall have been elected by the holders of either Cumulative Preferred Shares or Cumulative Preference Shares, the remaining directors elected by the holders of Cumulative Preferred Shares or Cumulative Preference Shares, as the case may be, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, may elect a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant. Likewise, if a vacancy or vacancies shall exist with respect to a director or directors who shall have been elected by the holders of Common Shares, the

remaining directors elected by the holders of Common Shares, by affirmative vote of a majority thereof, or the remaining director so elected if there be but one, may elect a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant.

(3) Whenever the Cumulative Preferred Shares shall be divested of voting powers with respect to the election of directors as provided in paragraph (3) of Subdivision B of this Division IV, the terms of all incumbent directors, other than directors elected by the holders of Cumulative Preference Shares pursuant to Subdivision C of this Division IV, shall expire upon the election of their successors by the holders of the Common Shares at the next annual or special meeting of shareholders for the election of directors. A special meeting shall be called for such purpose within twenty (20) days after the written request therefor signed by the holders of not less than five percent (5%) of the Common Shares outstanding, the date of such special meeting to be not more than forty (40) days from the date of giving of notice thereof. Upon the election and qualification of directors by the holders of Common Shares as aforesaid the provisions of paragraph (1) of Subdivision E of this Division IV shall again control, unless at that time the holders of Cumulative Preference Shares have voting rights for the election of directors.

(4) Whenever the Cumulative Preference Shares shall be divested of voting powers with respect to the election of directors as provided in paragraph (2) of Subdivision C of this Division IV, the terms of all incumbent directors, other than directors elected by the holders of Cumulative Preferred Shares pursuant to Subdivision B of this Division IV, shall expire on the election of their successors by the holders of the Common Shares at the next annual or special meeting of shareholders for the election of directors. A special meeting shall be called for such purpose within twenty (20) days after the written request therefor signed by the holders of not less than five percent (5%) of the Common Shares outstanding, the date of such special meeting to be not more than forty (40) days from the date of giving of notice thereof. Upon the election and qualification of directors by the holders of Common Shares as aforesaid, the provisions of paragraph (1) of Subdivision E of this Division IV shall again control, unless at that time the holders of Cumulative Preferred Shares have voting rights for the election of directors.

F. Cumulative Voting. The holders of Common Shares of the corporation shall have no right to cumulate votes in the election of directors. If notice in writing is given by any holder of Cumulative Preferred Shares or Cumulative Preference Shares to any officer of the corporation before a meeting for the election of directors at which such shareholder is entitled to vote, or to the presiding officer at such meeting at any time before the election of directors takes place, that he intends to cumulate his votes in such election, each holder of shares of the class with respect to which such notice has been given shall have the right to multiply the number of votes to which he may be entitled by the number of directors to be elected by the holders of shares of such class, and he may cast all such votes for one candidate or distribute them among any two or more candidates. In such case, it shall be the duty of the presiding officer, before the election of directors at the meeting, to announce that all shareholders of the class with respect to which such notice has been given shall cumulate their votes.

G. Preemptive Rights. No holder of shares of the corporation of any class or of any security or obligation convertible into, or of any warrant, option or right to purchase, subscribe for or otherwise acquire, shares of any class of the corporation, whether now or hereafter authorized, shall, as such holder, have any preemptive or preferential right whatsoever to purchase, subscribe for or otherwise acquire shares of any class of the corporation or of any security or obligation convertible into, or of any warrant, option or right to purchase, subscribe for or otherwise acquire, shares of any class of the corporation, whether now or hereafter authorized, other than such rights of subscription, if any, as the Board of Directors may from time to time determine.

## DIVISION V

### Voting Rights of Common Shares Relating To Certain Business Combinations

A. In addition to any other affirmative vote required by law or these Articles of Incorporation, and except as otherwise expressly provided in Subdivision B of this Division V,

(1) any merger or consolidation of the corporation or any Subsidiary (as hereinafter defined) with (a) an Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate or Associate (as such terms are hereinafter defined) of an Interested Shareholder, or

(2) any sale, lease, exchange, mortgage, pledge, grant of a security interest, transfer or other disposition (in one transaction or a series of transactions), other than in the ordinary course of business, to or with (a) an Interested Shareholder or (b) any other person (whether or not itself an Interested Shareholder) which is, or after such sale, lease, exchange, mortgage, pledge, grant of a security interest, transfer or other disposition would be, an Affiliate or Associate of an Interested Shareholder, directly or indirectly, of all or any Substantial Part (as hereinafter defined) of the assets of the corporation (including, without limitation, any voting securities of a Subsidiary) or any Subsidiary, or both, or

(3) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities (except pursuant to stock dividends, stock splits or similar transactions which would not have the effect of increasing the proportionate voting power of an Interested Shareholder) of the corporation or any Subsidiary, or both, to (a) an Interested Shareholder or (b) any other person (whether or not itself an Interested Shareholder) which is, or after such issuance or transfer would be, an Affiliate or Associate of an Interested Shareholder, or

(4) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of an Interested Shareholder or any Affiliate or Associate of an Interested Shareholder, or

(5) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any subsidiary directly or indirectly beneficially owned by (a) an Interested Shareholder or (b) any other person (whether or not itself an Interested Shareholder) which is, or after such reclassification, recapitalization, merger or consolidation or other transaction would be, an Affiliate or Associate of an Interested Shareholder,

shall not be consummated unless such consummation shall have been approved by the affirmative vote of the holders of at least 75% of the voting power of the then outstanding Common Shares. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law, in these Articles of Incorporation or in any agreement with any national securities exchange or otherwise.

B. The provisions of Subdivision A of this Division V shall not be applicable to any particular Business Combination (as hereinafter defined) and such Business Combination shall require only such affirmative vote as is required by law and any other provision of these Articles of Incorporation, if the Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined) or all of the following conditions shall have been met:

(1) The transaction constituting the Business Combination shall provide for a consideration to be received by all holders of Common Shares in exchange for all their Common Shares, and the aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Shares in such Business Combination shall be at least equal to the higher of the following:

(a) (if applicable) the highest per-share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any Common Shares beneficially owned by an Interested Shareholder (i) within the two-year period immediately prior to the Announcement Date (as hereinafter defined), (ii) within the two-year period immediately prior to the Determination Date (as hereinafter defined) or (iii) in the transaction in which it became an Interested Shareholder, whichever is highest; or

(b) the Fair Market Value per Common Share on the Announcement Date or on the Determination Date, whichever is higher.

(2) The consideration to be received by holders of Common Shares shall be in cash or in the same form as was previously paid in order to acquire the Common Shares that are beneficially owned by an Interested Shareholder and, if an Interested Shareholder beneficially owns Common Shares that were acquired with varying forms of consideration, the form of consideration for such Common Shares shall be either cash or



the form used to acquire the largest number beneficially owned by it. The price determined in accordance with paragraph 1 of this Subdivision B shall be subject to appropriate adjustment in the event of any recapitalization, stock dividend, stock split, combination of shares or similar event.

(3) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination:

(a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor the full amount of any dividends (whether or not cumulative) payable on any outstanding Cumulative Preferred Shares or Cumulative Preference Shares;

(b) there shall have been (i) no reduction in the annual rate of dividends paid on the Common Shares (except as necessary to reflect any subdivision of the Common Shares) other than as approved by a majority of the Continuing Directors and (ii) an increase in such annual rate of dividends as necessary to prevent any such reduction in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding Common Shares, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and

(c) such Interested Shareholder shall not have become the beneficial owner of any additional Common Shares except as part of the transaction in which it became an Interested Shareholder.

(4) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

(5) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the shareholders of the corporation, no later than the earlier of (a) 30 days prior to any vote on the proposed Business Combination or (b) if no vote on such Business Combination is required, 60 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions). Such proxy statement shall contain at the front thereof, in a prominent place, any recommendations as to the advisability (or inadvisability) of the Business Combination which the Continuing Directors, or any of them, may have furnished in writing and, if deemed advisable by a majority of the Continuing Directors, an opinion of a reputable investment banking firm as to the fairness (or lack of fairness) of the terms of

such Business Combination, from the point of view of the holders of the Common Shares other than an Interested Shareholder (such investment banking firm to be selected by a majority of the Continuing Directors, to be furnished with all information it reasonably requests and to be paid a reasonable fee for its services upon receipt by the corporation of such opinion).

C. For the purposes of this Division V:

(1) “Business Combination” shall mean any transaction that is referred to in any one or more of paragraphs 1 through 5 of Subdivision A of this Division V.

(2) “Person” shall mean any individual, firm, trust, partnership, association, corporation or other entity.

(3) “Interested Shareholder” shall mean any person (other than the corporation or any Subsidiary) who or which:

(a) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the then outstanding Common Shares; or

(b) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of more than 10% of the voting power of the then outstanding Common Shares; or

(c) is an assignee of or has otherwise succeeded to the beneficial ownership of any Common Shares which were, at any time within the two-year period immediately prior to the date in question, beneficially owned by an Interested Shareholder, unless such assignment or succession shall have occurred pursuant to a Public Transaction (as hereinafter defined) or any series of transactions involving a Public Transaction.

For the purpose of determining whether a person is an Interested Shareholder, the number of Common Shares deemed to be outstanding shall include shares deemed owned through application of paragraph 5 below, but shall not include any other Common Shares that may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(4) “Public Transaction” shall mean any (a) purchase of shares offered pursuant to an effective registration statement under the Securities Act of 1933 or (b) open-market purchase of shares on a national securities exchange or in the over-the-counter market if, in either such case, the price and other terms of sale are not negotiated by the purchaser and the seller of the beneficial interest in the shares.

(5) A person shall be a “beneficial owner” of any Common Shares:

(a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise or (ii) the right to vote or to direct the voting thereof pursuant to any agreement, arrangement or understanding; or

(c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Common Shares.

(6) “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1986.

(7) “Subsidiary” shall mean any corporation of which a majority of any class of equity security (as defined in Rule 3a1-1 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1986) is owned, directly or indirectly, by the corporation; provided, however, that, for purposes of the definition of Interested Shareholder set forth in paragraph 3, the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the corporation.

(8) “Continuing Director” shall mean any member of the Board of Directors of the corporation who (1) is not an Affiliate or Associate of, and not a nominee of, an Interested Shareholder having any interest, direct or indirect, in the proposed Business Combination and (2) was a member of the Board of Directors prior to the time that such Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director who is not an Affiliate or Associate of, and not a nominee of, such Interested Shareholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board of Directors.

(9) “Announcement Date” shall mean the date of the first public announcement of the proposed Business Combination.

(10) “Determination Date” shall mean the date on which an Interested Shareholder became an Interested Shareholder.

(11) “Fair Market Value” shall mean: (a) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation or last reported sale price, whichever is applicable, with respect to a share of

such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

(12) "Substantial Part" shall mean more than 30% of the fair market value of the total assets of the corporation as of the end of its most recent fiscal year ending prior to the time the determination is being made.

D. A majority of the Continuing Directors shall have the power and duty to determine for the purposes of this Division V, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Division V, including, without limitation, (1) whether a person is an Interested Shareholder, (2) the number of Common Shares beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether the assets which are the subject of any Business Combination constitute a Substantial Part of the assets of the corporation or the Subsidiary, or both, (5) whether the requirements of Subdivision B of this Division V have been met, and (6) such other matters with respect to which a determination is required under this Division V. The good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all purposes of this Division V.

E. Nothing contained in this Division V shall be construed to relieve an Interested Shareholder from any fiduciary obligation imposed by law.

F. Notwithstanding any other provisions of these Articles of Incorporation or the Bylaws of the corporation or the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the Bylaws of the corporation, the affirmative vote of the holders of at least 75% of the voting power of the then outstanding Common Shares, shall be required to amend, alter, adopt any provision inconsistent with or repeal this Division V unless the Board of Directors, if all such directors are Continuing Directors, shall unanimously recommend such amendment, alteration, adoption or repeal.

## DIVISION VI

### Provisions Relating to Purchases Of Common Shares Of The Corporation

A. Except as otherwise expressly provided in this Division VI, the corporation may not purchase any Common Shares at a per-share price in excess of the Fair Market Price (as hereinafter defined) as of the time of such purchase from a person known by the corporation to be a Substantial Shareholder (as hereinafter defined), unless such purchase has been approved by the affirmative vote of the holders of at least two-thirds (2/3) of the Common Shares voted thereon held by Disinterested Shareholders (as hereinafter defined). Such affirmative vote shall be required notwithstanding the fact that no vote may be required or that a lesser percentage may

be specified by law, in these Articles of Incorporation or in any agreement with any national securities exchange or otherwise.

B. The provisions of this Division VI shall not apply to (1) any purchase pursuant to an offer to purchase which is made on the same terms and conditions to the holders of all of the outstanding Common Shares or (2) any open market purchase that constitutes a Public Transaction (as hereinafter defined).

C. For the purposes of this Division VI:

(1) The terms “Continuing Director,” “Person,” “Public Transaction,” “Affiliate” and “Associate” shall have the meanings given to them in Division V of this Article VI.

(2) “Substantial Shareholder” shall mean any person (other than any employee benefit plan or trust of the corporation or any similar entity) who or which:

(a) is the beneficial owner of more than 10% of the voting power of the then outstanding Common Shares, the acquisition of any shares of which has occurred within the two-year period immediately prior to the date on which the corporation purchases any such shares; or

(b) is an assignee of or has otherwise succeeded to the beneficial ownership of any Common Shares beneficially owned by a Substantial Shareholder, unless such assignment or succession shall have occurred pursuant to a Public Transaction or any series of transactions involving a Public Transaction and, with respect to all Common Shares owned by such person, such person has been the beneficial owner of any such shares for a period of less than two years (including, for these purposes, the holding period of the Substantial Shareholder from whom such person acquired shares).

For the purposes of determining whether a person is a Substantial Shareholder, the number of Common Shares deemed to be outstanding shall include shares deemed owned through application of paragraph 5 below, but shall not include any other Common Shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(3) “Disinterested Shareholders” shall mean those holders of Common Shares who are not Substantial Shareholders.

(4) “Fair Market Price” shall mean the highest closing sale price on the Composite Tape for New York Stock Exchange-Listed Stocks during the 30-day period immediately preceding the date in question of a Common Share or, if such Common Shares are not quoted on the Composite Tape, on the New York Stock Exchange or, if such Common Shares are not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such Common Shares are listed, or, if such Common Shares are not listed on any such exchange, the highest closing bid quotation with respect to a Common Share during the

30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or, if no such quotations are available, the fair market value on the date in question of a Common Share, as determined by a majority of the Board of Directors in good faith.

(5) A person shall be a “beneficial owner” of any Common Shares:

(a) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise or (ii) the right to vote or to direct the voting thereof pursuant to any agreement, arrangement or understanding; or

(c) which is beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Common Shares.

D. A majority of the Board of Directors shall have the power and duty to determine for the purposes of this Division VI, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Division VI, including without limitation, (1) whether a person is a Substantial Shareholder, (2) the number of Common Shares beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether a price is in excess of the Fair Market Price, (5) whether a purchase constitutes a Public Transaction, and (6) such other matters with respect to which a determination is required under this Division VI. The good faith determination of a majority of the Board of Directors on such matters shall be conclusive and binding for all purposes of this Division VI.

E. Nothing contained in this Division VI shall be construed to relieve a Substantial Shareholder from any fiduciary obligation imposed by law.

F. Notwithstanding any other provisions of these Articles of Incorporation or the Bylaws of the corporation or the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the Bylaws of the corporation, the affirmative vote of the holders of at least 75% of voting power of the then outstanding Common Shares shall be required to amend, alter, adopt any provision inconsistent with or repeal this Division VI unless the Board of Directors, if all such directors are Continuing Directors, shall unanimously recommend such amendment, alteration, adoption or repeal.

## ARTICLE VII.

The Board of Directors of the corporation shall have authority to accept or reject subscriptions for shares.

## ARTICLE VIII.

Except as herein otherwise limited or qualified, the corporation reserves the right to amend, alter, change or repeal any of the terms or provisions of these Articles of Incorporation, all in the manner now or hereafter prescribed by the laws of the State of Minnesota, and all rights conferred herein upon officers, directors and shareholders of the corporation are granted subject to this reservation.

## ARTICLE IX.

The Board of Directors shall have the power, to the extent permitted by law, to adopt, amend or repeal the Bylaws of the corporation, subject to the power of the shareholders to adopt, amend or repeal such Bylaws. Bylaws fixing the number of directors or their classifications, qualifications, or terms of office, or prescribing procedures for removing such directors may be adopted, amended or repealed only by (i) the Board of Directors, to the extent permitted by law, or (ii) the affirmative vote of the holders of 75% of the outstanding Common Shares of the corporation or such lesser percentage of the outstanding Common Shares as may from time to time be provided in such Bylaws.

Notwithstanding any other provisions of these Articles of Incorporation or the Bylaws of the corporation or the fact that a lesser percentage may be specified by law, these Articles of Incorporation or the Bylaws of the corporation, the affirmative vote of the holders of at least 75% of the voting power of the then outstanding Common Shares shall be required to amend, alter, adopt any provision inconsistent with, or repeal this Article IX unless the Board of Directors, if all such directors are Continuing Directors, as defined in Article VI of the Articles of Incorporation, shall unanimously recommend such amendment, alteration, adoption or repeal.

## ARTICLE X.

A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Sections 302A.559 or 80A.23 of the Minnesota Statutes; (iv) for any transaction from which the director derived an improper personal benefit; or (v) for any act or omission occurring prior to the date when this Article X became effective.

Any repeal or modification of the foregoing provisions of this Article X shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

## ARTICLE XI.

Any action or transaction by or involving the corporation, other than the election or removal of directors of the corporation, that requires for its adoption under the Minnesota Business Corporation Act or these Articles of Incorporation, the approval of the shareholders of the corporation shall, pursuant to Section 302A.626 (subd. 3(8)(i)) of the Minnesota Business Corporation Act, require, in addition to the approval of the shareholders of the corporation, the

approval of the shareholders of Otter Tail Corporation, a Minnesota corporation (or any successor by merger), so long as such corporation or its successor is the ultimate parent, directly or indirectly, of the corporation, by the same vote that is required by the Minnesota Business Corporation Act and/or by these Articles of Incorporation. For the purposes of this Article XI, the term "parent" shall mean a corporation that owns, directly or indirectly, any outstanding capital stock of the corporation entitled to vote in the election of directors of the corporation.



RESOLUTIONS OF BOARD OF DIRECTORS  
ESTABLISHING SERIES OF  
CUMULATIVE PREFERRED SHARES

\$3.60 Cumulative Preferred Shares

Resolution

Pursuant to authority conferred on the Board of Directors of Otter Tail Power Company, a Minnesota corporation, by Article VI of the Articles of Incorporation, as amended, BE IT RESOLVED that an initial series of Cumulative Preferred Shares be and it hereby is created as follows:

A. The designation of such series shall be "\$3.60 Cumulative Preferred Shares," and the number of shares of such series shall be sixty thousand (60,000);

B. The rate of dividends payable on the \$3.60 Cumulative Preferred Shares shall be Three & 60/100 Dollars -- (\$3.60) per annum, payable quarterly on the first days of March, June, September and December in each year and such dividends shall be cumulative and accrue in the case of shares issued prior to the record date for the first dividend thereon from and including September 1, 1946;

C. The \$3.60 Cumulative Preferred Shares shall be redeemable at One Hundred Two & 25/100 dollars -- (\$102.25) per share, together, as provided in said Articles of Incorporation, with accrued dividends to the redemption date;

D. The amount payable on \$3.60 Cumulative Preferred Shares, in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be voluntary, shall be the sum of One Hundred Two & 25/100 Dollars (\$102.25) per share, and the amount payable on \$3.60 Cumulative Preferred Shares, in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be involuntary, shall be One Hundred Dollars (\$100) per share, together in either event, as provided in said Articles of Incorporation, with a sum, in the case of each share, computed at the annual dividend rate for the \$3.60 Cumulative Preferred Shares, from the date on which dividends on such share become cumulative to and including the date fixed for such distribution or payment, less the aggregate amount of all dividends which have theretofore been paid thereon or which have been declared thereon and for which moneys for payment have been set apart and remain available for payment.

## \$4.40 Cumulative Preferred Shares

### Resolution

Pursuant to authority conferred on the Board of Directors of Otter Tail Power Company, a Minnesota corporation, by Article VI of its Articles of Incorporation, as amended, BE IT RESOLVED that a second series of Cumulative Preferred Shares be and it hereby is created as follows:

A. The designation of such series shall be "\$4.40 Cumulative Preferred Shares," and the number of shares of such series shall be twenty-five thousand (25,000);

B. The rate of dividends payable on the \$4.40 Cumulative Preferred Shares shall be \$4.40 per share per annum, payable quarterly on the first days of March, June, September and December of each year and such dividends shall be cumulative and accrue in the case of shares issued prior to the record date for the first dividend thereon from and including March 15, 1950;

C. The \$4.40 Cumulative Preferred Shares shall be redeemable at \$104 per share if redeemed on or before March 15, 1955; at \$103 if redeemed thereafter and on or before March 15, 1960; and at \$102 per share if redeemed thereafter, together, as provided in said Articles of Incorporation, in each instance with accrued dividends to the redemption date;

D. The amount payable on \$4.40 Cumulative Preferred Shares in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be voluntary, shall be the price at which said shares are at the time redeemable, and the amount payable on \$4.40 Cumulative Preferred Shares in the event of any dissolution, liquidation or winding up of the affairs of the Company which shall be involuntary, shall be One Hundred Dollars (\$100.00) per share together in either event as provided in said Articles of Incorporation, with a sum, in the case of each share, computed at the annual dividend rate for the \$4.40 Cumulative Preferred Shares from the date on which dividends on such share become cumulative to and including the date fixed for such distribution or payment, less the aggregate amount of all dividends which have heretofore been paid thereon or which have been declared thereon and for which moneys for payment have been set apart and remain available for payment.

## \$4.65 Cumulative Preferred Shares

### Resolution

Pursuant to authority conferred on the Board of Directors of Otter Tail Power Company, a Minnesota corporation, by Article VI of its Articles of Incorporation, as amended, BE IT RESOLVED that a third series of Cumulative Preferred Shares be, and it hereby is, created as follows:

A. The designation of such series shall be "\$4.65 Cumulative Preferred Shares," and the number of shares of such series shall be thirty thousand (30,000);

B. The rate of dividends payable on the \$4.65 Cumulative Preferred Shares shall be \$4.65 per share per annum, payable quarterly on the first days of March, June, September and December of each year, and such dividends shall be cumulative and accrue in the case of shares issued prior to the record date for the first dividend thereon from and including the date of issuance thereof;

C. The \$4.65 Cumulative Preferred Shares shall be redeemable at \$107.50 per share if redeemed on or before April 1, 1969; at \$106.00 per share if redeemed thereafter and on or before April 1, 1974; at \$104.50 per share if redeemed thereafter and on or before April 1, 1979; at \$103.00 per share if redeemed thereafter and on or before April 1, 1984; and at \$101.50 per share if redeemed thereafter together, as provided in said Articles of Incorporation, in each instance, with accrued dividends to the redemption date; and

D. The amount payable on \$4.65 Cumulative Preferred Shares in the event of any dissolution, liquidation or winding up of the affairs of the corporation which shall be voluntary shall be the price at which said shares are at the time redeemable, and the amount payable on \$4.65 Cumulative Preferred Shares in the event of any dissolution, liquidation or winding up of the affairs of the Company which shall be involuntary shall be One Hundred Dollars (\$100.00) per share together in either event as provided in said Articles of Incorporation, with a sum, in the case of each share, computed at the annual dividend rate for the \$4.65 Cumulative Preferred Shares from the date on which dividends on such share become cumulative to and including the date fixed for such distribution or payment, less the aggregate amount of all dividends which have heretofore been paid thereon or which have been declared thereon and for which moneys for payment have been set apart and remain available for payment.

## \$6.75 Cumulative Preferred Shares

### Resolution

BE IT RESOLVED That, pursuant to authority conferred on the Board of Directors of Otter Tail Power Company, a Minnesota corporation, by subdivision A of Division I of Article VI of its Articles of Incorporation, as amended, a twelfth series of Cumulative Preferred Shares be, and it hereby is, created as follows:

A. The designation of such series shall be "\$6.75 Cumulative Preferred Shares," and the number of shares of such series shall be forty thousand (40,000).

B. The rate of dividends payable on the \$6.75 Cumulative Preferred Shares shall be \$6.75 per share per annum, payable quarterly on the first day of March, June, September and December of each year, commencing December 1, 1993. Such dividends shall be cumulative and accrue in the case of each share from and including the date of original issuance thereof; and the amount of the dividend for any period of less than a full quarter shall be computed on the basis of a 360-day year of twelve 30-day months.

C. The \$6.75 Cumulative Preferred Shares shall be redeemable at the option of the Company, in whole or in part, at \$103.375 per share if redeemed before December 1, 2004, and at the following redemption prices per share if redeemed thereafter:

If redeemed during the twelve months' period beginning:

<u>December 1</u>	<u>Redemption Price</u>
2004	\$103.0375
2005	\$102.7000
2006	\$102.3625
2007	\$102.0250
2008	\$101.6875
2009	\$101.3500
2010	\$101.0125
2011	\$100.6750
2012	\$100.3375
2013 and thereafter	\$100.0000

together, as provided in subdivision C of said Division I, in each instance, with accrued dividends to the redemption date; provided, however, that the \$6.75 Cumulative Preferred Shares shall not be redeemable, in whole or in part, prior to December 1, 2003.

D. The amount payable on the \$6.75 Cumulative Preferred Shares in the event of any dissolution, liquidation or winding up of the affairs of the Company which shall be voluntary shall be \$106.75 per share prior to December 1, 1994, and will decrease by \$0.3375 per share on December 1, 1994 and on each December 1 thereafter to \$100.00 per share on December 1, 2013, and the amount payable on the \$6.75 Cumulative Preferred Shares in the event of any dissolution, liquidation or winding up of the affairs of the Company which shall be involuntary

shall be \$100.00 per share, together, as provided in subdivision E of said Division I, in either event, with a sum, in the case of each share, computed at the annual dividend rate for the \$6.75 Cumulative Preferred Shares from the date on which dividends on such share became cumulative to and including the date fixed for such distribution or payment, less the aggregate amount of all dividends which shall have theretofore been paid thereon or which shall have been declared thereon and for which moneys for payment shall have been set apart and remain available for payment.

**ATTACHMENT C**

**List of Towns Served**

## RETAIL ELECTRIC SERVICE TO COMMUNITIES

(\* ) Indicates Location of Division Office

### MINNESOTA

Alberta	Eldred	Lac qui Parle	St. Hilaire
Amiret	Elizabeth	Lake Benton	St. Leo
Angus	Erdahl	Lake Bronson	St. Vincent
Appleton	Erhard	Lancaster	Shelvin
Argyle	Erskin	Lockhart	Solway
Ashby	Evansville	Louisburg	Strandquist
Audubon	Farwell	Mahnomen	Sunburg
Badger	Fergus Falls	Marietta	Taunton
Barrett	Fertile	McIntosh	Tintah
Barry	Fisher	Melby	Trail
Battle Lake	Forada	Mentor	Twin Valley
Beardsley	Foxhome	Middle River	Ulen
Bejou	Frazee	Milan	Underwood
Bellingham	Garfield	Millerville	Urbank
Beltrami	Gary	Milroy	Verdi
Bemidji	Gentilly	Miltona	Vergas
Boyd	Ghent	Minneota	Viking
Brandon	Gonvick	Morris	Vining
Brooks	Graceville	Murdock	Waubun
Browns Valley	Greenhush	Nashua	Wendell
Callaway	Green Valley	Nassau	Wheaton
Campbell	Gully	New York Mills	White Earth
Canby	Hallock	Norcross	Wilno
Carlisle	Halma	Noyes	Wilton
Carlos	Hancock	Odessa	Winger
Cass Lake	Hendricks	Ogema	
Chokio	Herman	Oklee	
Clearbrook	Hitterdal	Oslo	
Climax	Hoffman	Ottertail	
Clinton	Holloway	Parkers Prairie	
Clitherall	Holmes City	Pelican Rapids	
Clontarf	Holt	Pennock	
Correll	Humboldt	Perham	
Crookston	Ivanhoe	Plummer	
Cyrus	Johnson	Porter	
Dalton	Karlstad	Red Lake Falls	
Danvers	Kennedy	Richville	
Dawson	Kent	Rose City	
Deer Creek	Kerkhoven	Rothsay	
DeGraff			
Dent			
Donaldson			
Donnelly			
Doran			
Dumont			

**RATE ZONE 1 - NORTH DAKOTA**

Abercrombie	Clyde	Galchutt	LaMoure
Absaraka	Cogswell	Galesburg	Landa
Adams	Coleharbor	Gardena	Langdon (*)
Alice	Colgate	Garrison (*)	Lankin
Alsen	Cooperstown	Garske	Lansford
Amenia	Courtenay	Geneseo	Lawton
Anamoose	Crary	Gilby	Leal
Aneta	Crystal	Glenburn	Leeds
Antler	Davenport	Goodrich	Lidgerwood
Ardoch	Dazey	Grand Rapids	Lisbon
Ayr	Deering	Granville	Litchville
Balfour	Denhoff	Great Bend	Luverne
Barney	Devils Lake (*)	Gwinner	McCanna
Bartlett	Dickey	Hamar	McClusky
Barton	Douglas	Hamberg	McVile
Bathgate	Doyon	Hamilton	Makoti
Belcourt	Drake	Hampden	Manfred
Benedict	Drayton	Hankinson	Mantador
Bergen	Dresden	Hannaford	Manvel
Berlin	Dunning	Hannah	Mapes
Berwick	Dunseith	Harvey	Mapleton
Binford	Dwight	Hastings	Marion
Bisbee	Eckelson	Havana	Martin
Bordulac	Edgeley	Heaton	Max
Bottineau	Edinburg	Hensel	Maxbass
Bowdon	Edmore	Hoople	Medina
Brampton	Egeland	Hoving	Melville
Brinsmade	Eldridge	Hurdsfield	Mercer
Brocket	Emrick	Inkster	Michigan
Buffalo	Enderlin	Jamestown (*)	Millarton
Butte	Erie	Jessie	Milnor
Calio	Esmond	Jud	Milton
Calvin	Fairdale	Karlsruhe	Minnewauken
Carbury	Fairmount	Karnak	Minto
Carrington	Falkirk	Kathryn	Montpelier
Casselton	Fessenden	Kensal	Mooreton
Cathay	Fingal	Kief	Mountain
Cayuga	Finley	Kindred	Munich
Chaseley	Fordville	Kloten	Mylo
Christine	Forest River	Knox	Neche
Church's Ferry	Forman	Kramer	Nekoma
Cleveland	Fort Totten	Kuroki	Newburg
Clifford	Gackle	Lakewood	New Rockford



**RATE ZONE 1 - NORTH DAKOTA (Continued)**

Niagara	Plaza	Simcoe	Wabek
Nolan	Regan	Souris	Wahpeton (*)
Nome	Rock Lake	Spiritwood	Walcott
Nortonville	Rogers	Starkweather	Wales
Norwich	Rolette	Streeter	Walhalla
Oakes (*)	Rolla	Surrey	Walum
Oberon	Roth	Sykeston	Warwick
Olga	Rugby (*)	Tokio	Washburn
Oriska	Russell	Tolna	Webster
Orr	Rutland	Tower City	Westhope
Osnabrock	Ryder	Towner	Wheatland
Page	St. John	Turtle Lake	Willow City
Parshall	St. Thomas	Tuttle	Wilton
Pekin	Sanborn	Tyler	Wimbledon
Pembina	Sarles	Underwood	Windsor
Penn	Sawyer	Upham	Wing
Perth	Selz	Velva	Wolford
Petersburg	Sheldon	Verona	Wyndmere
Pillsbury	Sheyenne	Voltaire	York
Pisek	Sibley		

**RATE ZONE 1 - SOUTH DAKOTA**

Albee	Elkton	Milbank (*)	Strandburg
Astoria	Erwin	Newark	Summit
Brandt	Gary	New Effington	Toronto
Britton	Grenville	Nunda	Trent
Bruce	Hammer	Oldham	Troy
Bushnell	Hayti	Ortley	Twin Brooks
Castlewood	Hetland	Peever	Weblen
Claire City	Hillhead	Reville	Victor
Clear Lake	Kidder	Rosholt	Ward
Corona	LaBolt	Roslyn	Waubay
Dempster	Lake City	Rutland	Wentworth
DeSmet	Lake Norden	Sisseton	White Rock
Eden	Lake Preston	South Shore	Wilmot
Egan	Marvin	Stockholm	

ATTACHMENT D

Agreement and Plan of Merger

**FORM OF**  
**ARTICLES OF MERGER**  
**OF**  
**OTTER TAIL CORPORATION**  
**INTO**  
**[OT MERGER CO.]**

The plan of merger attached as Exhibit A (the "Plan of Merger") provides for the merger of Otter Tail Corporation, a Minnesota corporation, with and into **[OT Merger Co.]**, a Minnesota corporation and wholly owned indirect subsidiary of Otter Tail Corporation, under Section 302A.626 of the Minnesota Business Corporation Act.

The Plan of Merger has been adopted by Otter Tail Corporation, pursuant to Section 302A.626 the Minnesota Business Corporation Act.

The merger shall be effective [**December 31, 2008**] at [\_\_:00] p.m. Central Standard Time.

These articles of merger have been signed on behalf of Otter Tail Corporation by a person authorized to do so.

Dated: December \_\_, 2008

**OTTER TAIL CORPORATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FORM OF  
PLAN OF MERGER

This PLAN OF MERGER, dated as of [December \_\_, 2008] (the “Plan”), is entered into by and among Otter Tail Corporation, a Minnesota corporation (“Otter Tail” and after the Effective Time, the “Surviving Corporation”), [OT Holding Co.], a Minnesota corporation and the direct subsidiary of Otter Tail (“OT Holding”), and [OT Merger Co.], a Minnesota corporation and indirect subsidiary of Otter Tail and direct subsidiary of OT Holding (“Merger Sub”).

WHEREAS, the authorized capital stock of Otter Tail consists of:

(a) 50,000,000 Common Shares of the par value of \$5 per share (“Otter Tail Common Shares”), of which \_\_\_\_\_ shares were issued and outstanding as of [December 1, 2008];

(b) 1,500,000 Cumulative Preferred Shares without par value (“Otter Tail Cumulative Preferred Shares”), of which (i) 60,000 have been designated as Otter Tail’s \$3.60 Cumulative Preferred Shares (“Otter Tail \$3.60 Cumulative Preferred Shares”), 60,000 of which were issued and outstanding as of [December 1, 2008], (ii) 25,000 have been designated as Otter Tail’s \$4.40 Cumulative Preferred Shares (“Otter Tail \$4.40 Cumulative Preferred Shares”), 25,000 of which were issued and outstanding as of [December 1, 2008], (iii) 30,000 have been designated as Otter Tail’s \$4.65 Cumulative Preferred Shares (“Otter Tail \$4.65 Cumulative Preferred Shares”), 30,000 of which were issued and outstanding as of [December 1, 2008], and (iv) 40,000 have been designated as Otter Tail’s \$6.75 Cumulative Preferred Shares (the “\$6.75 Otter Tail Cumulative Preferred Shares”), 40,000 of which were issued and outstanding as of [December 1, 2008]; and

(c) 1,000,000 Cumulative Preference Shares without par value (the “Otter Tail Cumulative Preference Shares”), none of which are currently outstanding.

WHEREAS, OT Holding is and, at all times since its organization, has been a direct, wholly owned subsidiary of Otter Tail with authorized capital stock consisting of:

(a) 50,000,000 Common Shares of the par value of \$5 per share (“OT Holding Common Shares”), of which [100] shares are currently issued and outstanding;

(b) 1,500,000 Cumulative Preferred Shares without par value (“OT Holding Cumulative Preferred Shares”), of which (i) 60,000 have been designated as OT Holding’s \$3.60 Cumulative Preferred Shares (“OT Holding \$3.60 Cumulative Preferred Shares”), (ii) 25,000 have been designated as OT Holding’s \$4.40 Cumulative Preferred Shares (“OT Holding \$4.40 Cumulative Preferred Shares”), (iii) 30,000 have been

designated as OT Holding's \$4.65 Cumulative Preferred Shares ("OT Holding \$4.65 Cumulative Preferred Shares), and (iv) 40,000 have been designated as OT Holding's \$6.75 Cumulative Preferred Shares (the "OT Holding \$6.75 Cumulative Preferred Shares"); none of which were issued and outstanding as of **[December 1, 2008]**; and

(c) 1,000,000 Cumulative Preference Shares without par value (the "OT Holding Cumulative Preference Shares"), none of which are currently issued and outstanding.

WHEREAS, the designations, rights and preferences, and the qualifications, limitations and restrictions thereof, of the OT Holding Common Shares, the OT Holding Cumulative Preference Shares and each series of OT Holding Cumulative Preferred Shares, are the same as those of the Otter Tail Common Shares, the Otter Tail Cumulative Preference Shares, and the corresponding series of Otter Tail Cumulative Preferred Shares, respectively.

WHEREAS, the Articles of Incorporation and the Bylaws of OT Holding immediately after the Effective Time (as hereinafter defined) will contain provisions identical to the Articles of Incorporation and Bylaws of Otter Tail immediately before the Effective Time (other than, as allowed by Section 302A.626 (subd. 7) of the Minnesota Business Corporation Act, as amended (the "MBCA")).

WHEREAS, Merger Sub is a wholly owned subsidiary of OT Holding with authorized capital stock consisting of 1,000 shares of common stock, par value \$.01 per share ("Merger Sub Common Shares"), of which **[100]** shares are currently issued and outstanding.

WHEREAS, the Board of Directors of each of Otter Tail, OT Holding and Merger Sub has determined that it is desirable and in the best interests of Otter Tail, OT Holding and Merger Sub, respectively, that Otter Tail and Merger Sub should merge, Otter Tail shall be the surviving corporation, and OT Holding shall be a "holding company" of Otter Tail, as such term is defined in Section 302A.626 (subd. 1)(b) of the MBCA.

### **Terms**

NOW, THEREFORE, the parties hereby prescribe the terms and conditions of the merger and the mode of carrying the same into effect as follows:

1. Merger of Merger Sub with and into Otter Tail. At the Effective Time, Merger Sub shall merge with and into Otter Tail (the "Merger") in accordance with Section 302A.626 (subd. 3) of the MBCA, and the separate existence of Merger Sub shall cease and Otter Tail shall be a direct, wholly owned subsidiary of OT Holding. Otter Tail shall be the surviving corporation and assume all of the rights, privileges, assets and liabilities of Merger Sub. Merger Sub and Otter Tail are the only constituent corporations to the Merger.

2. Name of Surviving Corporation. The name of the surviving corporation shall be "Otter Tail Power Company".

3. Effect of the Merger. The effect of the Merger shall be as provided in Section 302A.626 of the MBCA. As a result of the Merger, by operation of law and without further act or deed, at the Effective Time, all property, rights, interests and other assets of Merger

Sub shall be transferred to and vested in the Surviving Corporation, and the Surviving Corporation shall assume all of the liabilities and obligations of Merger Sub.

4. Effect on Capital Stock. At the Effective Time:

(a) Each then issued and outstanding OT Holding Common Share held by Otter Tail will, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled without conversion or issuance of any shares of stock of the Surviving Corporation with respect thereto.

(b) Each then issued and outstanding Otter Tail Common Share will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one OT Holding Common Share, which shall have the same designations, rights, powers and preferences and the same qualifications, limitations and restrictions as one Otter Tail Common Share immediately prior to the Effective Time.

(c) Each then issued and outstanding Otter Tail \$3.60 Cumulative Preferred Share will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one OT Holding \$3.60 Cumulative Preferred Share, which shall have the same designations, rights, powers and preferences and the same qualifications, limitations and restrictions as an Otter Tail \$3.60 Cumulative Preferred Share immediately prior to the Effective Time.

(d) Each then issued and outstanding Otter Tail \$4.40 Cumulative Preferred Share will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one OT Holding \$4.40 Cumulative Preferred Share, which shall have the same designations, rights, powers and preferences and the same qualifications, limitations and restrictions as a Otter Tail \$4.40 Cumulative Preferred Share immediately prior to the Effective Time.

(e) Each then issued and outstanding Otter Tail \$4.65 Cumulative Preferred Share will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one OT Holding \$4.65 Cumulative Preferred Share, which shall have the same designations, rights, powers and preferences and the same qualifications, limitations and restrictions as a Otter Tail \$4.65 Cumulative Preferred Share immediately prior to the Effective Time.

(f) Each then issued and outstanding Otter Tail \$6.75 Cumulative Preferred Share will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into one OT Holding \$6.75 Cumulative Preferred Share, which shall have the same designations, rights, powers and preferences and the same qualifications, limitations and restrictions as a Otter Tail \$6.75 Cumulative Preferred Share immediately prior to the Effective Time.

(g) Each then issued and outstanding Merger Sub Common Share will, by virtue of the Merger and without any action on the part of the holder thereof, be converted into a common share of the Surviving Corporation.

5. Certificates. At the Effective Time, each outstanding certificate that, immediately prior to the Effective Time, evidenced Otter Tail Common Shares or Otter Tail Cumulative Preferred Shares shall be deemed and treated for all corporate purposes to evidence the ownership of the number of OT Holding Common Shares or Otter Tail Cumulative Preferred Shares, as the case may be, into which such Otter Tail Common Shares or Otter Tail Cumulative Preferred Shares were converted pursuant to Sections 4(b), 4(c), 4(d), 4(e) and 4(f), respectively, of this Plan.

6. Articles of Incorporation, Bylaws, Officers and Directors. Subject to Section 7 below, the Articles of Incorporation and Bylaws of Otter Tail, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation and Bylaws of the Surviving Corporation. The officers and directors of Otter Tail immediately prior to the Effective Time shall be the officers and directors of OT Holding as of the Effective Time. The officers and directors of Merger Sub immediately prior to the Effective Time shall be the officers and directors of the Surviving Corporation as of the Effective Time.

7. Amendment to Articles of Incorporation.

(a) Automatically, upon filing the Articles of Merger and this Plan in accordance with the MBCA, the Articles of Incorporation of the Surviving Corporation shall be amended as follows:

(i) Article I of the Articles of Incorporation is amended in its entirety to read as follows:

ARTICLE I.

The name of the corporation shall be Otter Tail Power Company.

(ii) A new Article XI of the Articles of Incorporation is added to read in its entirety as follows:

ARTICLE XI.

Any action or transaction by or involving the corporation, other than the election or removal of directors of the corporation, that requires for its adoption under the Minnesota Business Corporation Act or these Articles of Incorporation, the approval of the shareholders of the corporation shall, pursuant to Section 302A.626 (subd. 3(8)(i)) of the Minnesota Business Corporation Act, require, in addition to the approval of the shareholders of the corporation, the approval of the shareholders of Otter Tail Corporation, a Minnesota corporation (or any successor by merger), so long as such corporation or its successor is the ultimate parent, directly or indirectly, of the corporation, by the same vote that is required by the Minnesota Business Corporation Act and/or by these

Articles of Incorporation. For the purposes of this Article XI, the term "parent" shall mean a corporation that owns, directly or indirectly, any outstanding capital stock of the corporation entitled to vote in the election of directors of the corporation.

(b) In connection with the Merger, the Articles of Incorporation of [OT Holding Co.] shall be amended to provide that the name of [OT Holding Co.] shall be "Otter Tail Corporation".

8. Assumption of Certain Agreements and Plans. OT Holding and Otter Tail hereby agree that they will, at the Effective Time, execute, acknowledge and deliver one or more assignment and assumption agreements pursuant to which Otter Tail will assign and OT Holding will assume, from and after the Effective Time, all rights, duties and obligations required under the following:

(a) [List of benefit plans and award agreements to be assumed by OT Holding to be added]; and

(b) [List of other agreements and instruments to be assumed by OT Holding to be added].

9. Plan of Reorganization. This Plan shall constitute a plan of reorganization of Otter Tail and Merger Sub.

10. Tax Treatment. The Merger shall constitute a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

11. Filing and Effective Time. If this Plan has not been terminated pursuant to Section 12 hereof, after this Plan has been duly approved in the manner required by law, appropriate Articles of Merger and this Plan shall be filed by Otter Tail and Merger Sub pursuant to and in accordance with the MBCA. The Merger shall be effective (the "Effective Time") at [\_\_:00] p.m. Central Standard Time on [December 31, 2008].

12. Termination. This Plan may be terminated and the Merger abandoned by the Board of Directors of Otter Tail at any time prior to the Effective Time.

13. Adoption and Approval. The Plan was adopted and approved by the Board of Directors of Otter Tail on \_\_\_\_\_, 2008. Pursuant to Section 302A.626 (subd. 2) of the MBCA, the Plan was not approved by the shareholders of Otter Tail or Merger Sub.



## ATTACHMENT E

### OTTER TAIL CORPORATION RESOLUTIONS OF THE BOARD OF DIRECTORS AUTHORIZING HOLDING COMPANY REORGANIZATION

WHEREAS, the Board of Directors of Otter Tail Corporation (the “Company”) has determined that it is in the Company’s best interest to proceed with the implementation of a holding company reorganization under Section 302A.626 of the Minnesota Business Corporation Act, as presented to and discussed by the Board of Directors at this meeting (the Reorganization”).

NOW, THEREFORE, BE IT RESOLVED By the Board of Directors that the Company’s officers are, and each of them individually is, authorized and directed, for and on behalf of the Company, to take the following actions in connection with the Reorganization:

- To cause to be prepared and filed with the Federal Energy Regulatory Commission and the appropriate regulatory agencies in the states of Minnesota, North Dakota and South Dakota, such regulatory applications and/or filings (including amendments or supplements thereto) with respect to the Reorganization as they may deem necessary or appropriate, as conclusively evidenced by the filing thereof in such forms as such officers may approve, and to appear before, and meet with representatives of, such regulatory agencies regarding the Reorganization at such times as such officers may deem necessary or appropriate in connection with the foregoing.
- To appear before, and meet with, representatives of any other governmental body whose consent, approval or reissuance is required in connection with the Reorganization with respect to franchises, licenses and permits of the Company or any subsidiary of the Company, at such times as such officers may deem necessary or appropriate in connection with the foregoing, and to cause to be prepared and filed with such governmental bodies such applications and/or filings (including amendments or supplements thereto) with respect to the Reorganization as they may deem necessary or appropriate, as conclusively evidenced by the filing thereof in such forms as such officers may approve.
- To meet with representatives of the Company’s (and, where appropriate, the Company’s subsidiaries’) lenders for the purpose of obtaining such waivers or consents under, or negotiating such amendments, modifications or refinancing arrangements with respect to, the Company’s (or such subsidiaries’) existing debt and credit agreements in connection with the Reorganization as they may deem necessary or appropriate, subject in each instance to approval by the Board of Directors of the final terms of any such amendments, modifications or refinancing arrangements.
- To meet with representatives of any other third parties to existing contracts, leases or other agreements to which the Company or any subsidiary of the Company is a

party for the purpose of obtaining such waivers or consents under, or negotiating such amendments or modifications with respect to, such contracts, leases or other agreements in connection with the Reorganization as they may deem necessary or appropriate, subject in each instance to approval by the Board of Directors of the final terms of any such amendments or modifications.

- To meet with appropriate representatives of the rating agencies currently rating indebtedness of the Company regarding the likely impact of the Reorganization and the process for formal ratings review in connection with the Reorganization.
- To cause to be prepared any amendments, assignments, assumptions and notifications relating to the employee benefit plans of the Company that are deemed by such officers to be necessary or appropriate in connection with the Reorganization, subject in each case to approval by the Board of Directors of the final terms of any such amendments, assignments and assumptions, and in connection therewith meet with such plan trustees and insurance providers as such officers deem necessary or appropriate in connection with the foregoing.
- To take any and all actions which they deem necessary or appropriate in order to organize one or more subsidiaries of the Company which they or any one of them deem necessary or advisable to effectuate the Reorganization.

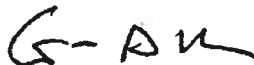
BE IT FURTHER RESOLVED That the officers of the Company be, and they hereby are, authorized and directed to prepare and execute any and all papers, documents and instruments, in addition to those hereinabove mentioned, in the name and on behalf of the Company, and to do and perform, or cause to be done and performed, any and all such other acts and things as such officers, or any of them, may deem necessary or advisable in order to carry out the purposes and intent of the foregoing resolutions.

BE IT FURTHER RESOLVED, that all acts and things heretofore done by any officer or any employee or agent of the Company, on or prior to the date of these resolutions, in connection with the transactions contemplated by the foregoing resolutions be, and the same hereby are, in all respects ratified, confirmed, approved and adopted as acts on behalf of the Company.

CERTIFICATE

I, GEORGE A. KOECK, the duly elected and acting Corporate Secretary of Otter Tail Corporation, a Minnesota corporation, do hereby certify that the attached resolution is a true and correct copy of the resolution duly passed and adopted by the Board of Directors at a meeting duly called and held on the 5<sup>th</sup> day of March, 2008, at which a quorum was present and voting, and the same is effective corporate action by said Company and the same has not been rescinded.

IN WITNESS WHEREOF, I have hereunto subscribed my name as Corporate Secretary of the Company this 2<sup>nd</sup> day of April, 2008.



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George A. Koeck, Corporate Secretary

ATTACHMENT F

Otter Tail Power Company  
Capital Structure

	<b>December 31, 2007 Actual</b>	<b>As adjusted</b>	<b>Pro Forma</b>	<b>December 31, 2007 Percentage</b>	<b>Pro Forma Percentage</b>
Short-term debt	-	-	-	0.0%	0.0%
Long-term debt	\$199,890,000	57,000,000	256,890,000	41.1%	47.1%
Preferred Stock	15,500,000	-	15,500,000	3.2%	2.8%
Common equity	270,615,247	2,463,915	273,079,162	55.7%	50.1%
Total	486,005,247	59,463,915	545,469,162	100.0%	100.0%

See Exhibit 1 for an explanation of the adjustments made to reflect the Transaction.

Reference is made to Otter Tail Power Company's 2008 Capital Structure filing made March 27, 2008 and to the 2007 Annual Minnesota Jurisdictional Report filed on April 30, 2008.

## ATTACHMENT G

### Filing Requirements for Capital Structure Approval (Provides information called for in 7825.1200, 7825.1300 and 7825.1700)

#### Minnesota Rules 7825.1400

A. A descriptive title.

In the Matter of Application of Otter Tail Corporation Under Minnesota Statutes, Section 216B.50 To Form New Holding Company

B. A table of contents.

See first page of filing.

C. The exact name of the petitioner and address of its principal business office.

See Original Filing Paragraph 5.(A).

D. Name, address, and telephone number of the person authorized to receive notices and communications with respect to the petition.

See Original Filing Paragraph 5.(E).

E. A verified statement by a responsible officer of the petitioner attesting to the accuracy and completeness of the enclosed information.

See Verification included in filing.

F. The purpose for which the securities are to be issued.

See Application for Approval

G. Copies of resolutions by the directors authorizing the petition for the issue or assumption of liability in respect to which the petition is made; and if approval of stockholders has been obtained, copies of the resolution of the stockholders shall be furnished.

See Attachment E.

H. A statement as to whether, at the time of filing of the petition, the petitioner knows of any person who is an "affiliated interest" within the meaning of Minnesota Statutes, section 216B.48, subdivision 1, who has received or is entitled to receive a fee for services in connection with the negotiations or consummation of the issuance of the securities, or for services in securing underwriters, sellers, or purchasers of the securities.

None.

I. A signed copy of the opinion of counsel in respect to the legality of the issue or assumption of liability.

See Exhibit 7. (To be provided when securities are issued)

J. A balance sheet dated no earlier than six months prior to the date of the petition together with an income statement and statement of changes in financial position covering the 12 months then ended. When the petitions include long-term securities, such statements shall show the effects of the issuance on such balance sheet and income statement.

See Exhibit 1 and Attachment F.

K. A description of the security or securities to be issued.

See Exhibits 4 and 5 and Application for Approval

L. An estimate of the interest or dividend cost per \$100 principal amount, except in the case of common stock, and a description of any anticipated terms or indenture provisions.

See Exhibit 6

M. If the petitioner is a corporation, a copy of its current articles of incorporation certified by the secretary of state of incorporation. If the current articles have already been filed, the petitioner need only make specific reference to such filings.

A copy of the Corporation's Articles of Amendment Restating Articles of Incorporation and all amendments thereto (including resolutions adopted by the Board of Directors of the Corporation creating thirteen series of the Corporation's Cumulative Preferred Shares), certified by the Secretary of State of Minnesota are incorporated herein by reference to Exhibit A to the Corporation's Petition in Docket No. E017/S-88-863, Exhibits A-1 and A-2 to the Corporation's Petition in Docket No. E017/S-92-1275, Exhibit A-1 to the Corporation's Petition in Docket No. E017/S-93-1091, Attachment No. 11 to the Corporation's Petition in Docket No. E017/S-99-1544 and Attachment No. 11 to the Corporation's Petition in Docket No. E017/S-02-49.

N. The following information shall be attached as exhibits to the petition:

(1) the amount and kinds of stock authorized by articles of incorporation and amount outstanding;

See Exhibit 2.

(2) the terms of preference of preferred stock, whether cumulative or participating, or on dividends or assets, or otherwise;

See Exhibit 3.

(3) a brief description of each security agreement, mortgage, and deed of trust upon petitioner's property, showing date of execution, debtor, and secured party, mortgagor and mortgagee and trustor and beneficiary, amount of indebtedness authorized to be secured thereby, and amount of indebtedness actually secured, together with any sinking fund provision;

See Exhibits 4 and 5.

(4) the amount of bonds authorized and issued that exceed one percent of total debt giving the name of the public utility which issued same, describing each class separately, and giving the date of issue, par value, rate of interest, date of maturity, and how secured, together with the amount of interest paid thereon during the last fiscal year;

See Exhibit 5.

(5) each note outstanding with a maturity of more than one year and which exceeds one percent of total debt, giving the date of issue, the amount, the date of maturity, the rate of interest, in whose favor, together with the amount of interest paid thereon during the last fiscal year;

See Exhibit 5.

(6) other indebtedness with a maturity of more than one year, by class, together with the amount of interest paid thereon during the last fiscal year;

See Exhibit 5.

(7) the rate and amount of dividends paid during the five previous fiscal years.

See Exhibit 6.

O. A statement of the manner in which such securities will be issued; and if invitations for sealed written proposals (competitive bidding) are not anticipated, an explanation of the decision not to invite such proposals shall be submitted.

See Application for Approval

P. A copy of each plan, offer, or agreement for the reorganization or readjustment of indebtedness or capitalization or for the retirement or exchange of securities.

See Application for Approval and Attachment D.

Q. If any of the above filing requirements are provided in petitions or applications to other regulatory agencies, then such petitions or applications, properly cross-referenced in item B, may be submitted in lieu of the specific filing requirements.

Not Applicable.

R. Such additional information that the staff or commission may require in a particular case.

Provided upon request.

## ATTACHMENT H

### Filing Requirements for Merger

#### Minnesota Rules 7825.1800

A. Petitions for approval of a merger or of a consolidation shall be accompanied by the following: the petition signed by all parties; all information, for each public utility, as required in parts 7825.1400 and 7825.1500; the detailed reasons of the petitions and each party for entering into the proposed transaction, and all facts warranting the same; the full terms and conditions of the proposed merger or consolidation.

Petition – see Application for Approval

Information required in part 7825.1400 – See Attachment G

Information required in part 7825.1500 – None

Detailed reasons etc. – See Application for Approval

B. Petitions for approval of a transfer of property shall be accompanied by the following: all information as required in part 7825.1400, items A to J; the agreed upon purchase price and the terms for payment and other considerations.

Information required in part 7825.1400, items A to J – See Attachment G

Agreed upon purchase price and terms – See Application for Approval

C. A description of the property involved in the transaction including any franchises, permits, or operative rights, and the original cost of such property, individually or by class, the depreciation and amortization reserves applicable to such property, individually or by class. If the original cost is unknown, an estimate shall be made of such cost. A detailed description of the method and all supporting documents used in such estimate shall be submitted.

To the extent applicable, see Application for Approval and Attachment C.

D. Other pertinent facts or additional information that the commission may require.

Provided upon request.



**Otter Tail Power Company**  
(an operating division of Otter Tail Corporation)

Balance Sheet, Income Statement  
and Cash Flows

at and for the year ended

December 31, 2007

and

Pro Forma taking into account the Transaction

**Balance Sheet**  
**December 31, 2007**  
**Assets and Other Debits**

	Balance	Adjustments	Pro Forma
<b>UTILITY PLANT</b>			
Utility Plant	\$ 1,028,917,132	\$ -	\$ 1,028,917,132
Construction Work in Progress	33,772,360	-	33,772,360
TOTAL Utility Plant:	1,062,689,492	-	1,062,689,492
(Less) Accum Prov for Depreciation & Amortization	446,475,444	-	446,475,444
NET Utility Plant:	616,214,048	-	616,214,048
 <b>OTHER PROPERTY &amp; INVESTMENTS</b>			
Nonutility Property	724,247	-	724,247
Other Investments	1,185,102	-	1,185,102
Other Special Funds	-	-	-
TOTAL Other Property & Investments:	1,909,349	-	1,909,349
 <b>CURRENT ASSETS</b>			
Cash	23,367	-	23,367
Special Deposits	1,077,734	-	1,077,734
Working Funds	22,405	-	22,405
Temporary Cash Investments	22,435,436	(893,467)	21,541,961
Notes Receivable	-	-	-
Customer Accounts Receivable	15,920,538	-	15,920,538
Other Accounts Receivable	7,778,730	-	7,778,730
(Less) Accum Prov for Uncollectible Accts	(623,602)	-	(623,602)
Notes Receivable from Associated Companies	52,078	60,000,000	60,052,078
Accounts Receivable from Associated Companies	172,624	-	172,624
Fuel Stock	8,798,580	-	8,798,580
Plant Materials & Operating Supplies	13,775,037	-	13,775,037
Prepayments	152,359	-	152,359
Interest & Dividends Receivable	8,403	-	8,403
Accrued Utility Revenues	32,501,444	-	32,501,444
Derivative Instrument Assets	5,210,365	-	5,210,365
TOTAL Current & Accrued Assets:	107,305,499	59,106,525	166,412,024
 <b>DEFERRED DEBITS</b>			
Other Regulatory Assets	38,211,758	-	54,625,020
Unamortized Debt Expense	587,853	-	587,853
Clearing Accounts	(12,671)	-	339,851
Misc. Deferred Debits	625,378	-	1,482,061
Unamortized Loss on Reacquired Debt	3,745,436	-	6,538,729
Accumulated Deferred Income Taxes	48,768,820	-	82,760,841
TOTAL Deferred Debits:	91,926,574	-	91,926,574
<b>TOTAL ASSETS and OTHER DEBITS:</b>	<b>\$ 817,355,470</b>	<b>\$ 59,106,525</b>	<b>\$ 876,461,995</b>

**Balance Sheet**  
**December 31, 2007**  
**Liabilities and Other Credits**

	Balance	Adjustments	Pro Forma
<b>CAPITALIZATION</b>			
Contributed Capital	\$149,582,173	\$3,000,000	\$152,582,173
Retained Earnings	123,350,695	(536,085)	122,814,610
Accumulated Other Comprehensive Income	(2,317,621)	-	(2,317,621)
<b>TOTAL Proprietary Capital:</b>	<b>270,615,247</b>	<b>2,463,915</b>	<b>273,079,162</b>
Preferred Stock	15,500,000	-	15,500,000
Long-Term Debt	199,890,000	57,000,000	256,890,000
<b>TOTAL Capitalization:</b>	<b>486,005,247</b>	<b>59,463,915</b>	<b>545,469,162</b>
<b>CURRENT &amp; ACCRUED LIABILITIES</b>			
Notes Payable - Intercompany	-	-	-
Notes Payable - Other	-	-	-
Accounts Payable	71,360,733	-	71,360,733
Customer Deposits	770,506	-	770,506
Taxes Accrued	12,678,529	(357,390)	12,321,139
Interest Accrued	2,029,447	-	2,029,447
Other Taxes Accrued	917,231	-	917,231
Misc Current & Accrued Liabilities	1,702,385	-	1,702,385
Derivative Instrument Liabilities	5,077,975	-	5,077,975
<b>TOTAL Current Liabilities:</b>	<b>94,536,806</b>	<b>(357,390)</b>	<b>94,179,416</b>
<b>NONCURRENT LIABILITIES</b>			
Accumulated Provision for Property Insurance	-	-	-
Accumulated Provision for Injuries & Damages & W.C.	763,829	-	763,829
Accumulated Provision for Pensions & Benefits	74,467,970	-	74,467,970
Asset Retirement Obligations	2,447,170	-	2,447,170
<b>TOTAL Other Noncurrent Liabilities:</b>	<b>77,678,970</b>	<b>-</b>	<b>77,678,970</b>
<b>DEFERRED CREDITS</b>			
Regulatory Liabilities	17,235,022	-	17,235,022
Other Deferred Credits	171,527	-	171,527
Accumulated Deferred Investment Tax Credit	16,761,505	-	16,761,505
<b>TOTAL Deferred Credits:</b>	<b>34,168,054</b>	<b>-</b>	<b>34,168,054</b>
<b>ACCUMULATED DEFERRED INCOME TAXES</b>			
	124,966,393	-	124,966,393
<b>TOTAL LIABILITIES and OTHER CREDITS:</b>	<b>\$ 817,355,470</b>	<b>\$ 59,106,525</b>	<b>\$ 876,461,995</b>
Reacquired Debt Adjustment			
	(2,544,442)		(2,544,442)
Short Term Debt			
	0.0%		0.0%
Long Term Debt			
	40.8%		46.8%
Preferred Stock			
	3.2%		2.9%
Common Equity			
	56.0%		50.3%
	100.0%		100.0%

**Income Statement**  
**Year ended December 31, 2007**

	Actual	Adjustments	Pro Forma
<b><i>UTILITY OPERATING REVENUE</i></b>			
Retail Electric	\$ 276,893,972	\$ -	\$ 276,893,972
Wholesale Electric - Regulated	20,345,040	-	20,345,040
Other Operating Revenues	12,664,762	-	12,664,762
TOTAL Operating Revenue:	309,903,774	-	309,903,774
<b><i>OPERATING EXPENSES</i></b>			
Production Fuel	60,481,694	-	60,481,694
Purchased Power	74,694,689	-	74,694,689
Other Operation Expense	74,412,358	-	74,412,358
Maintenance Expense	25,602,021	-	25,602,021
	235,190,762	-	235,190,762
Depreciation & Amortization	24,836,391	-	24,836,391
Property Taxes	9,411,607	-	9,411,607
Income Taxes	10,122,992	-	10,122,992
TOTAL Operating Expenses:	279,561,753	-	279,561,753
NET Utility Operating Income:	30,342,021	-	30,342,021
<b><i>OTHER INCOME &amp; DEDUCTIONS</i></b>			
AFUDC	(18,594)	-	(18,594)
Other - Net	40,444,098	-	40,444,098
TOTAL Other Income:	40,425,504	-	40,425,504
Misc Income Deductions	34,062,015	-	34,062,015
Income Taxes	2,800,828	(357,390)	2,443,438
Taxes Other Than Income Taxes	1,850	-	1,850
TOTAL Other Deductions:	36,864,693	(357,390)	36,507,303
NET Other Income & Deductions:	3,560,810	357,390	3,918,200
<b><i>INTEREST CHARGES</i></b>			
Interest on Long-Term Debt	10,496,991	893,475	11,390,466
Amortization of Bond & Debt Expense	327,057	-	327,057
Other Interest Expense	856,856	-	856,856
(Less) AFUDC - CR	(2,275,656)	-	(2,275,656)
NET Interest Charges:	9,405,248	893,475	10,298,723
<b><i>NET INCOME:</i></b>	24,497,584	(536,085)	23,961,499
<b><i>PREFERRED STOCK DIVIDEND REQUIREMENTS:</i></b>	735,500	-	735,500
<b><i>BALANCE FOR COMMON:</i></b>	\$ 23,762,084	\$ (536,085)	\$ 23,225,999

**Otter Tail Utility  
Statement of Cash Flows  
December 2007**

<i>Increase (Decrease) in Cash and Cash Equivalents</i>	<u>Year-To-Date</u>	<u>Total Adjustments</u>	<u>Pro Forma</u>
<b>Cash Flows From Operating Activities:</b>			
Net Income	\$ 24,497,584	\$ (536,085)	\$ 23,961,499
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	27,323,080		27,323,080
Deferred Investment Tax Credit - Net	8,580,844		8,580,844
Deferred Income Taxes	(5,839,641)		(5,839,641)
(Incr)/Decr in Deferred Debits, Net: ARO, Net Derivatives, and Other Assets	5,917,235		5,917,235
Increase/(Decrease) in noncurrent liabilities and deferred credits	(5,962,047)		(5,962,047)
Allowance for Equity (Other) Funds Used During Construction	18,595		18,595
(Gain)/Loss on Marketable Securities and Sales of Assets	-		-
Undistributed (Gains)/Losses from Investments in Affiliates	-		-
Restricted stock awards and stock issued to directors	-		-
Cash Provided by (Used for) Current Assets and Current Liabilities:			
Change in Receivables, Materials and Supplies	(285,144)		(285,144)
Change in Other Current Assets	(8,556,619)		(8,556,619)
Change in Payables and Other Current Liabilities	45,689,767		45,689,767
Change in Interest and Income Taxes Payable	890,694	(357,390)	533,304
Net Cash Provided by Operating Activities	<u>92,274,352</u>	<u>(893,475)</u>	<u>91,380,877</u>
<b>Cash Flows From Investing Activities:</b>			
Capital Expenditures net of Retirements	(127,206,472)		(127,206,472)
Purchases of Nonutility Assets	(303,196)		(303,196)
Proceeds From Sale of Assets	259,748		259,748
Change in Other Investments	(86,837)		(86,837)
Net Cash Used in Investing Activities	<u>(127,336,757)</u>	<u>-</u>	<u>(127,336,757)</u>
<b>Cash Flows From Financing Activities:</b>			
Changes in Short-term Debt: -- Net Issuances (Repayments)	(3,900,954)		(3,900,954)
Proceeds from Issuance of Preferred Stock	-		-
Capital Contributions from Corporate	58,375,207		58,375,207
Proceeds from Issuance of Long-Term Debt	127,600,000		127,600,000
Debt Issuance Expenses	(587,853)		(587,853)
Return of Capital	(238,291)		(238,291)
Payments for Retirement of Long-term Debt	(94,685,000)		(94,685,000)
Loss on Recquired Debt	(1,051,624)		(1,051,624)
Payments for Retirement of Preferred Stock	-		-
Dividends Paid to Corporate	(28,559,609)		(28,559,609)
Net Cash (Used)/Provided in Financing Activities	<u>56,951,875</u>	<u>-</u>	<u>56,951,875</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>21,889,470</u>	<u>(893,475)</u>	<u>20,995,995</u>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>1,669,472</u>	<u>-</u>	<u>1,669,472</u>
<b>Cash and Cash Equivalents at Month End</b>	<u>\$ 23,558,942</u>	<u>\$ (893,475)</u>	<u>\$ 22,665,467</u>
	0	-	0
<b>Supplemental Disclosures of Cash Flow Information:</b>			
<b>Cash Paid for Interest and Income Taxes:</b>			
Interest (net of amount capitalized)	\$ 8,079,857		\$ 8,079,857
Income Taxes	\$ 9,367,086		\$ 9,367,086

### **Explanation of Adjustments**

Otter Tail Corporation keeps accounts for its operating division Otter Tail Power Company similarly to what would apply if Otter Tail Power were a legal entity. The adjustments reflect the additional changes that would be made in connection with Otter Tail Power becoming a separate legal entity (assuming the transaction occurred January 1, 2007).

The principal adjustment is an increase in long-term debt of \$57,000,000 to reconcile the allocation of Otter Tail Corporation external debt between Otter Tail Power and the holding company. In addition, an adjustment of \$3,000,000 of additional equity contribution from the holding company to Otter Tail Power is reflected.

Other adjustments flow from these changes in capital, including increased long-term debt expense (\$893,475) and corresponding decrease in temporary cash investments, decreased income tax (\$357,390) resulting from the increase in interest expense; and decreased net income and retained earnings (\$536,085) resulting from the foregoing changes.

The \$60,000,000 increase in capital is reflected as a non-cash transaction and accordingly had no impact on the cash flow statement.

**OTTER TAIL CORPORATION**  
**STATEMENT AS OF DECEMBER 31, 2007, DESCRIBING EACH**  
**CLASS AND SERIES OF THE CORPORATION'S SHARES**  
**AUTHORIZED BY ARTICLES OF INCORPORATION**

---

- I. (1) Brief description -- \$3.60 dividend Cumulative Preferred Shares without par value, entitled to cumulative \$3.60 annual dividend, redeemable at \$102.25 per share, plus accrued dividends, and entitled to the same amount on voluntary liquidation, and to the sum of \$100 per share, plus accrued dividends in the case of involuntary liquidation - the first series of Cumulative Preferred Shares -- on a parity with the other series of Cumulative Preferred Shares issued.
- (2) Amount authorized -- 60,000 shares of the \$3.60 dividend series are authorized -- total Preferred Shares authorized are 1,500,000 shares.
- (3) Amount outstanding, exclusive of treasury shares -- 60,000 shares.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.
- II. (1) Brief description -- \$4.40 dividend Cumulative Preferred Shares without par value, entitled to cumulative \$4.40 annual dividend, redeemable at \$102 per share, plus accrued dividends, and entitled to the same amount on voluntary liquidation, and to the sum of \$100 per share, plus accrued dividends in the case of involuntary liquidation - the second series of Cumulative Preferred Shares -- on a parity with the other series of Cumulative Preferred Shares issued.
- (2) Amount authorized -- 25,000 shares of the \$4.40 dividend series are authorized -- total Preferred Shares authorized are 1,500,000 shares.
- (3) Amount outstanding, exclusive of treasury shares -- 25,000 shares.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.

- III. (1) Brief description -- \$4.65 dividend Cumulative Preferred Shares without par value, entitled to cumulative \$4.65 annual dividend, redeemable at \$101.50 per share, plus accrued and unpaid dividends, and entitled to \$100 in case of involuntary liquidation and the then applicable redemption price in case of voluntary liquidation, plus accrued and unpaid dividends -- on a parity with the other series of Cumulative Preferred Shares issued.
- (2) Amount authorized -- 30,000 shares of the \$4.65 dividend series are authorized -- total Preferred Shares authorized are 1,500,000 shares.
- (3) Amount outstanding, exclusive of treasury shares -- 30,000 shares.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.
- IV. (1) Brief description -- \$6.75 dividend Cumulative Preferred Shares without par value, entitled to cumulative \$6.75 annual dividend, redeemable commencing on December 1, 2003, at \$103.375, the redemption price reducing \$0.3375 per share each succeeding year to \$100 per share in 2013 and thereafter -- on a parity with the other series of Cumulative Preferred Shares issued.
- (2) Amount authorized -- 40,000 shares of the \$6.75 dividend series are authorized -- total Preferred Shares authorized are 1,500,000 shares.
- (3) Amount outstanding, exclusive of treasury shares -- 40,000 shares.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.



- V. (1) Brief description -- Cumulative Preference Shares without par value, which, when issued, will be junior to the Company's Cumulative Preferred Shares, but senior to the Company's Common Shares with respect to the rights to receive dividends and amounts payable upon the liquidation, dissolution, or winding up of the Company, - issuable from time to time in one or more series, each series having such designation and such relative rights, voting power, preferences, and restrictions as provided in the Articles of Incorporation of the Company and, to the extent therein permitted, as are determined by the Board of Directors of the Company.
- (2) Amount authorized -- 1,000,000 shares, without par value.
- (3) Amount outstanding, exclusive of treasury shares -- none.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.
- VI. (1) Brief description -- Common Shares, par value \$5 each, entitled subject to the prior rights of the holders of Preferred Shares, to receive dividends without limit, and, except as otherwise provided by statute and except in event of certain defaults in the payment of dividends on the Preferred Shares, to full voting rights.
- (2) Amount authorized -- 50,000,000 shares of the par value of \$5 each.
- (3) Amount outstanding as of 12/31/2007, exclusive of treasury shares -- 29,849,789 shares.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount held in any fund -- none.

**Exhibit 3**

Information regarding Preferred Stock is included in Exhibit 2

**Exhibit 4**

Information Summarizing Security Agreements or Indentures is included in Exhibit 5

**OTTER TAIL CORPORATION**  
**STATEMENT AS OF DECEMBER 31, 2007, DESCRIBING EACH**  
**CLASS AND SERIES OF FUNDED DEBT OF THE CORPORATION**

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- I. (1) Brief description – Mercer County, North Dakota Pollution Control Refunding Revenue Senior Debentures, 4.85% Series of 2001, issued September 1, 2001, maturing September 1, 2022, interest payable semi-annually on March 1 and September 1 of each year. The Senior Debentures are unsecured and rank on a parity with all other unsecured and unsubordinated debt of the Corporation. The Senior Debentures are redeemable on or after September 1, 2006.
- (2) Amount authorized -- \$20,790,000.
- (3) Amount outstanding, exclusive of treasury bonds -- \$20,705,000.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount in sinking or other funds -- none.
- (8) Interest paid for the fiscal year ended December 31, 2007 -- \$1,005,648.
- II. (1) Brief description – Grant County, South Dakota Pollution Control Refunding Revenue Senior Debentures, 4.65% Series of 2001, issued September 1, 2001, maturing September 1, 2017, interest payable semi-annually on March 1 and September 1 of each year. The Senior Debentures are unsecured and rank on a parity with all other unsecured and unsubordinated debt of the Corporation. The Senior Debentures are redeemable on or after September 1, 2006.
- (2) Amount authorized -- \$5,185,000.
- (3) Amount outstanding, exclusive of treasury bonds -- \$5,185,000.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.

- (6) Amount owned by affiliated corporations -- none.
  - (7) Amount in sinking or other funds -- none.
  - (8) Interest paid for the fiscal year ended December 31, 2007 -- \$241,103.
- III.
- (1) Brief description -- Obligation pursuant to Loan Agreement dated as of December 1, 1993 between Otter Tail Power Company and Grant County, South Dakota. Payments under said Loan Agreement will be sufficient to pay the principal of, premium, if any, and interest on \$10,400,000 principal amount of Pollution Control Refunding Revenue Bonds (Otter Tail Power Company Project) Series 1993, issued by Grant County, South Dakota. The Bonds are dated December 15, 1993, mature December 1, 2012, and bear interest at a variable rate which is determined by the Remarketing Agent. Interest is payable commencing on January 1, 1994, and thereafter on the first day of each month at the variable rate.
  - (2) Amount of Bonds authorized -- \$10,400,000.
  - (3) Amount of Bonds outstanding, exclusive of treasury bonds -- \$10,400,000.
  - (4) Amount held in treasury as reacquired securities -- none.
  - (5) Amount pledged -- none.
  - (6) Amount owned by affiliated corporations -- none.
  - (7) Amount in sinking or other funds -- none.
  - (8) Interest on Bonds paid for the fiscal year ended December 31, 2007 -- \$424,576.
- IV.
- (1) Brief description -- Senior Notes, 6.63% Series Due 2011, issued December 27, 2001, maturing December 1, 2011, bearing interest at the rate of 6.63% per annum, payable semi-annually on June 1 and December 1 of each year. The Senior Notes are unsecured and rank on parity with all other unsecured and unsubordinated debt of the Corporation. The Corporation's obligations under the Senior Notes are guaranteed by certain of the Corporation's subsidiaries. The Senior Notes are redeemable at the option of the Corporation, in whole or in part from time to time, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Senior Notes do not have the benefit of any sinking fund.
  - (2) Amount authorized -- \$90,000,000.
  - (3) Amount outstanding, exclusive of treasury bonds -- \$90,000,000.
  - (4) Amount held in treasury as reacquired securities -- none.

- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount in sinking or other funds -- none.
- (8) Interest paid for the fiscal year ended December 31, 2007 - \$5,967,000.

- V. (1) Brief description -- Unsecured Note, issued September 24, 2003 pursuant to a Loan Agreement dated September 24, 2003 between the Corporation and Lombard US Equipment Finance Corporation, with a fixed interest rate of 6.76% maturing on October 2, 2010. The Note is unsecured and ranks on parity with all other unsecured and unsubordinated debt of the Corporation. Principal payments of \$582,143 are due quarterly on January 1, April 1, July 1 and October 1 of each year.
- (2) Amount authorized -- \$16,300,000.
- (3) Amount outstanding, exclusive of treasury bonds -- \$6,985,712.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.
- (7) Amount in sinking or other funds -- none.
- (8) Interest paid for the fiscal year ended December 31, 2007 -- \$570,616.
- VI. (1) Brief description -- Senior Notes: Series A Due 2017, issued October 1, 2007, maturing August 20, 2017, bearing interest at the rate of 5.950% per annum; Series B Due 2022, issued October 1, 2007, maturing August 20, 2022, bearing interest at the rate of 6.150% per annum; Series C Due 2027, issued August 20 and October 1, 2007, maturing August 20, 2027, bearing interest at the rate of 6.370% per annum; and Series D Due 2037, issued August 20 and October 1, 2007, maturing August 20, 2037, bearing interest at the rate of 6.470% per annum. Interest is payable semi-annually on February 15<sup>th</sup> and August 15<sup>th</sup> of each year for all series. The Senior Notes are unsecured and rank on a parity with all other unsecured and unsubordinated debt of the Corporation. The Senior Notes are redeemable at the option of the Corporation, in whole or in part from time to time, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Senior Notes are redeemable at the option of the holders in the event of a change of control at 100% of the principal amount plus a make-whole premium. The Senior Notes do not have the benefit of any sinking fund.
- (2) Amount authorized -- \$155,000,000.
- (3) Amount outstanding, exclusive of treasury bonds -- \$155,000,000.
- (4) Amount held in treasury as reacquired securities -- none.
- (5) Amount pledged -- none.
- (6) Amount owned by affiliated corporations -- none.

- (7) Amount in sinking or other funds -- none.
  - (8) Interest paid for the fiscal year ended December 31, 2007 -- \$0.
- VII. (1) Brief description -- Senior Notes, 5.778% Series Due 2017, issued December 14, 2007, maturing November 30, 2017, bearing interest at the rate of 5.778% per annum, payable semi-annually on May 31 and November 30 of each year. The Senior Notes are unsecured and rank on a parity with all other unsecured and unsubordinated debt of the Corporation. The Corporation's obligations under the Senior Notes are guaranteed by certain of the Corporation's subsidiaries. The Senior Notes are redeemable at the option of the Corporation, in whole or in part from time to time, prior to maturity, at 100% of the principal amount plus a make-whole premium. The Senior Notes are redeemable at the option of the holders in the event of a transfer of utility assets put event or a change of control, at 100% of the principal amount plus a make-whole premium. The Senior Notes do not have the benefit of any sinking fund.
- (2) Amount authorized -- \$50,000,000.
  - (3) Amount outstanding, exclusive of treasury bonds -- \$50,000,000.
  - (4) Amount held in treasury as reacquired securities -- none.
  - (5) Amount pledged -- none.
  - (6) Amount owned by affiliated corporations -- \$50,000,000 owned by Cascade Investments, L.L.C., which owned approximately 8.6% of the Corporation's outstanding Common Shares as of December 31, 2007.
  - (7) Amount in sinking or other funds -- none.
  - (8) Interest paid for the fiscal year ended December 31, 2007 -- \$0.



**Exhibit 6****Otter Tail Corporation  
Rate and Amount of Dividends Paid  
Years 2003 to 2007  
(Thousands of Dollars)**

	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
<b><u>Cumulative Preferred Shares</u></b> <b><u>(a)</u></b>					
\$3.60 Series - 60,000 Shares	\$216	\$216	\$216	\$ 216	\$216
4.40 Series - 25,000 Shares	110	110	110	110	110
4.65 Series - 30,000 Shares	139	139	139	139	139
6.75 Series - 40,000 Shares	270	270	270	270	270
<b>Total</b>	<b>\$735</b>	<b>\$735</b>	<b>\$735</b>	<b>\$735</b>	<b>\$735</b>

**Common Shares (b)**

Rate per Share	\$1.08	\$1.10	\$1.12	\$1.15	\$1.17
Amount Paid - Total	\$27,730	\$28,528	\$32,728	\$33,886	\$ 34,780
Otter Tail Power Share @ 80%	\$22,184	\$22,822	\$26,182	\$27,109	\$27,824

**a) 100% of preferred share dividend funded by Otter Tail Power**

**b) 80% of common share dividend funded by Otter Tail Power**

**Exhibit 7**

Any required opinion of counsel will be provided when securities are issued.

MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye	Chair
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Thomas W. Pugh	Commissioner
Phyllis Reha	Commissioner

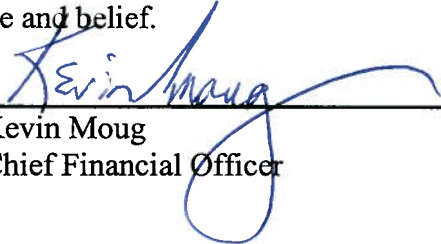
IN THE MATTER OF )  
 )  
 OTTER TAIL CORPORATION )  
 )  
 APPLICATION UNDER MINNESOTA )  
 STATUTES, SECTION 216B.50 TO )  
 FORM NEW HOLDING COMPANY )  
 )  
 )

MPUC Docket No. \_\_\_\_\_

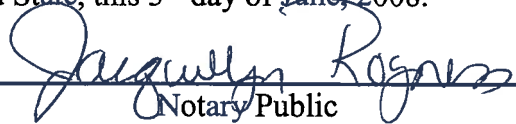
**VERIFICATION**

STATE OF NORTH DAKOTA )  
 ) SS  
 COUNTY OF CASS )

The undersigned, being first duly sworn, states he is the Chief Financial Officer of Otter Tail Corporation, the Applicant in the foregoing Application; that he has read the said Application and knows the contents thereof; and that all of the statements contained therein are true and correct according to the best of his knowledge and belief.

  
 \_\_\_\_\_  
 Kevin Moug  
 Chief Financial Officer

Subscribed and sworn to before me,  
a Notary Public in and for said County  
and State, this 3<sup>rd</sup> day of June, 2008.

  
 \_\_\_\_\_  
 Notary Public

