

**BOARD OF WATER AND NATURAL RESOURCES  
ACTING AS THE SOUTH DAKOTA CONSERVANCY DISTRICT**

**SERIES RESOLUTION #2008-19 AUTHORIZING**

**STATE REVOLVING FUND REVENUE BONDS  
SERIES 2008**

**WHEREAS**, the South Dakota Conservancy District is duly constituted as an instrumentality of the State of South Dakota exercising public and governmental functions under the operation, management and control of the Board of Water and Natural Resources of South Dakota (the "*Board of Water and Natural Resources*"), pursuant to SDCL Chapters 46A-1 and 46A-2 (the "*Act*"); and

**WHEREAS**, pursuant to the Act and the Clean Water Act (as herein defined) the District has established a state revolving fund program; (the "*Clean Water Program*"); and

**WHEREAS**, pursuant to the Act and the Drinking Water Act (as herein defined) the District has established a state revolving fund program (the "*Drinking Water Program*"); and

**WHEREAS**, pursuant to the Act, the District is authorized to issue bonds and to make loans to Borrowers (as herein defined) through the purchase of municipal securities or loans in connection with the Clean Water Program and the Drinking Water Program (each a "*Program*" and collectively, the "*Programs*"); and

**WHEREAS**, to fund the Programs, the United States Environmental Protection Agency currently makes annual capitalization grants to the states on the condition that each state provide an appropriate match for such state's related revolving fund; and

**WHEREAS**, pursuant to SDCL §46A-1-60.1, the State has heretofore established the state water pollution control revolving fund program and the state drinking water revolving fund program and provided that program subfunds (each, a "*Program Subfund*" and collectively, the "*Program Subfunds*") be created within the water and environment fund established pursuant to SDCL §46A-1-60; that each Program Subfund be maintained separately; and all federal, state and other funds for use in each such Program be deposited into the related Program Subfund, including all federal grants for capitalization of each such Program, all repayments of assistance awarded from each such Program Subfund, interest on investments made on money in each such Program Subfund, proceeds of discretionary bond issues allowed by SDCL §46A-1-31 and principal and interest on loans made from each fund, that money in the Program Subfunds may be used only for purposes authorized under federal law and that the Program Subfunds may be pledged or assigned by the District and to or in trust for the holder or holders of the bonds of the District as permitted by law and may be transferred to and held by a trustee or trustees pursuant to SDCL §46A-1-39; and

**WHEREAS**, SDCL §46A-1-60.2 provides that funds from the Programs therein described shall be disbursed and administered according to rules enacted by the Board of Water

and Natural Resources pursuant to SDCL §46A-1-65 and the provisions of SDCL §46A-1-60 to §46A-1-60.3 inclusive and SDCL §46A-1-60.1 provides that money in the Program Subfunds may be used only for purposes authorized under federal law; and

**WHEREAS**, the District and The First National Bank in Sioux Falls previously entered into that certain Master Trust Indenture dated as of January 1, 1994, as heretofore amended and supplemented (the "*Original Clean Water Indenture*"); and

**WHEREAS**, the District and The First National Bank in Sioux Falls previously entered into that certain Master Trust Indenture dated as of June 1, 1998, as heretofore amended and supplemented (the "*Original Drinking Water Indenture*"); and

**WHEREAS**, pursuant to that certain Amended and Restated Master Trust Indenture dated as of July 1, 2004 (the "*Amended and Restated Indenture*"), the District and the Trustee amended and restated the Original Clean Water Indenture and Original Drinking Water Indenture; and

**WHEREAS**, pursuant to that certain First Amendment dated as of October 1, 2005 and that certain Second Amendment dated as of April 1, 2006, the District and the Trustee heretofore amended and supplemented the Amended and Restated Indenture (herein, the "*Original Master Trust Indenture*"); and

**WHEREAS**, Section 11.01 of the Original Master Trust Indenture authorizes certain amendments or supplements thereto without the necessity of obtaining the consent of any Bondholder under certain circumstances, including in order (a) to amend or modify any provisions of the Master Trust Indenture if, in the judgment of an Authorized Representative, the rating then in effect on any Outstanding Bonds from each Rating Agency immediately preceding the time such supplemental indenture becomes effective will be maintained or improved after such supplemental indenture becomes effective or (b) to make such other modifications or amendments which are determined by the Trustee not to be of material prejudice to the rights of the Trustee or the Holders of the Bonds; and

**WHEREAS**, the Board of Water and Natural Resources has determined to implement the provisions of Section 11.01 of the Restated Master Trust Indenture by entering into a Third Amended and Restated Master Trust Indenture as herein provided (the "*Third Amended and Restated Master Trust Indenture*" and, as now or hereafter amended or supplemented, the "*Master Trust Indenture*") in order to further amend and restate the Original Master Trust Indenture in order to provide for the issuance of variable rate and multi-modal bonds, provide for payment of interest on Bonds on a more frequent basis, allow for the establishment of liquidity support for various series of Bonds and provide for certain other matters; and

**WHEREAS**, pursuant to the Original Master Trust Indenture and predecessor agreements the District has made various loans to Borrowers and pledged the repayments to be received from such Borrowers and certain other funds and accounts to secure, on a separate and distinct basis, the Existing Bonds (as defined herein); and

**WHEREAS**, the Board of Water and Natural Resources has determined that it is necessary and expedient that the District issue additional bonds from time to time pursuant to the Master Trust Indenture and to loan the proceeds thereof to Borrowers in furtherance of the Programs and the Master Trust Indenture authorizes the issuance of additional Bonds in one or more Series, each pursuant to a Series Resolution authorizing such Series and, when determined necessary or appropriate, a Series 2008 Supplemental Indenture ; and

**WHEREAS**, the Board of Water and Natural Resources, acting as the South Dakota Conservancy District, has at this time determined that it is necessary and appropriate that the District issue at this time a Series of Bonds pursuant to this Series Resolution and a Supplemental Indenture (herein, the "*Series 2008 Supplemental Indenture*"), such Series of Bonds to be designated "South Dakota State Revolving Fund Revenue Bonds, Series 2008" (the "*Series 2008 Bonds*"),

**WHEREAS**, the Series 2008 Bonds will be designated as State Match Portion and Leveraged Portion, and shall be allocated between the two Programs, as herein provided, to provide moneys (together with moneys from EPA for deposit in the Federally Capitalized Loan Accounts) to lend to Borrowers from time to time as the District shall determine; and

**WHEREAS**, the District is authorized and empowered by the provisions of the Act to issue bonds at its discretion in any amount at any time for the purpose of funding all or part of a revolving fund program under the Relevant Federal Acts, to be used to purchase or otherwise finance or provide for the purchase or payment of bonds or other obligations, including the refinancing of obligations previously issued or for projects previously completed and to enter into financing arrangements with such persons or public entities to secure and provide for the payment of such bonds; and

**WHEREAS**, the District is authorized and empowered by the provisions of the Act, and specifically pursuant to §§46A-1-31, 46A-1-39 and 46A-1-60.1, SDCL, to pledge or assign to or in trust for the benefit of the holder or holders of such bonds those moneys appropriated by the Legislature for the purpose of funding state contributions to the Programs and directing that such moneys be held and invested pursuant to a trust agreement for the payment of the principal of, premium, if any, and interest on the bonds; and

**WHEREAS**, drafts or final versions of the following documents have been filed with staff of the Board of Water and Natural Resources, acting as the South Dakota Conservancy District, and made available to each member of the Board:

- (i) Third Amended and Restated Master Trust Agreement (referred to herein as the "*Third Amended and Restated Master Trust Indenture*");
- (ii) Series 2008 Supplemental Indenture between the District and the Trustee (referred to herein as the "*Series 2008 Supplemental Indenture*");
- (iii) Standby Bond Purchase Agreement (referred to herein as the "*Initial Liquidity Support Facility*") between the District, the Trustee and U.S. Bank National Association (the "*Initial Liquidity Provider*");

- (iv) Bond Purchase Agreement (referred to herein as the “*Bond Purchase Agreement*”) between the District and Wachovia Bank, National Association (the “*Underwriter*”);
- (v) Official Statement with respect to the Series 2008 Bonds (referred to herein as the “*Official Statement*”);
- (vi) Continuing Disclosure Agreement (in the form of an appendix to the Official Statement and referred to herein as the “*Continuing Disclosure Agreement*”);
- (vii) Remarketing Agreement (referred to herein as the “*Remarketing Agreement*”); and
- (viii) Supporting schedules which demonstrate satisfaction of the requirements of Section 2.11(b) of the Master Trust Indenture for the issuance of Additional Bonds.

**BE IT RESOLVED BY THE SOUTH DAKOTA BOARD OF WATER AND NATURAL RESOURCES, ACTING AS THE SOUTH DAKOTA CONSERVANCY DISTRICT, THAT:**

## ARTICLE I

### District and Definitions

Section 1.01 Series Resolution. This Series Resolution is adopted and the Series 2008 Supplemental Indenture is approved in accordance with the provisions of the Master Trust Indenture and pursuant to the authority contained in the Act. It is hereby determined pursuant to the Act that the issuance of the Series 2008 Bonds and the purchase of the Loan Obligations will implement the policies of the Act and provide the Borrowers with loans for essential projects at borrowing costs below the costs available to the Borrowers in the private bond market.

Section 1.02 Definitions. Unless defined below in this Section 1.02, all terms defined in the Master Trust Indenture, in the Series 2008 Supplemental Indenture or in the Act, as applicable, shall have the same meanings, respectively, in this Series Resolution and with respect to the Series 2008 Bonds as such terms are given in the Master Trust Indenture, in the Series 2008 Supplemental Indenture or in the Act, as applicable. In addition, the following terms shall have the following meanings for all purposes in connection with this Series Resolution and the Series 2008 Bonds:

“*Authorized Officers*” shall mean the Chairman and the Secretary or, in the absence of either, any other Member of the Board of Water and Natural Resources designated in writing by the Chairman to act for purposes of and as authorized by this Resolution.

“*Clean Water Act*” means the Federal Clean Water Act, more commonly known as the Clean Water Act (PL 92-500), as amended by the Water Quality Act of 1987 (PL 100-4), 33 U.S.C. 1251, ET SEQ., any subsequent amendments thereto and any other applicable statutes governing any Program funded hereunder, and includes the State Revolving Fund Program Implementation Regulations, any amendments thereof issued pursuant thereto and any other applicable regulations.

“*Continuing Disclosure Undertaking*” means a Continuing Disclosure Undertaking with respect to the Series 2008 Bonds.

“*Drinking Water Act*” means Chapter 6A of the Public Health Service Act, 42 U.S.C. §§300f through 300j-26, more commonly known as the Safe Drinking Water Act, any subsequent amendments thereto and any other applicable statutes governing any Program funded hereunder, any amendments thereof and all applicable regulations.

“*First Call Date*” means August 1, 2008.

“*Initial Liquidity Provider*” means U.S. Bank, National Association, and its successors and assigns.

“*Initial Liquidity Support Facility*” means the Standby Bond Purchase Agreement, dated as of February 1, 2008, among the District, the Trustee and the Initial Liquidity Provider, as amended and supplemented from time to time in accordance with its terms, or any replacement thereof.

“*Interest Payment Date*” shall have the meaning given thereto in the Series 2008 Supplemental Indenture.

“*Leveraged Portion*” shall have the meaning given thereto in Section 3.02 of this Series Resolution and the Series 2008 Supplemental Indenture.

“*Remarketing Agent*” means Wachovia Bank, National Association, in its capacity as remarketing agent for the District under the Remarketing Agreement, and its successors and assigns in such capacity.

“*Remarketing Agreement*” means the Remarketing Agreement dated as of February 1, 2008, between the District and the Remarketing Agent, as the same may be amended, supplemented or assigned from time to time, or any similar agreement as may be substituted therefor.

“*Series 2008 Clean Water Federally Capitalized Loan Account*” shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Loan Fund.

“*Series 2008 Clean Water Leveraged Bond Account*” shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Bond Fund.

“*Series 2008 Clean Water Leveraged Loan Account*” shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Loan Fund.

*“Series 2008 Clean Water State Administration Account”* shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Administration Fund.

*“Series 2008 Clean Water State Match Bond Account”* shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Bond Fund.

*“Series 2008 Clean Water State Match Loan Account”* shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Loan Fund.

*“Series 2008 Clean Water Restricted Cumulative Excess Principal Repayments Subaccount”* shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

*“Series 2008 Clean Water Restricted Principal Repayments Account”* shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

*“Series 2008 Clean Water Unrestricted Cumulative Excess Interest Repayments Subaccount”* shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

*“Series 2008 Clean Water Unrestricted Interest Repayments Account”* shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

*“Series 2008 Drinking Water Federally Capitalized Loan Account”* shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Loan Fund.

*“Series 2008 Drinking Water Leveraged Bond Account”* shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Bond Fund.

*“Series 2008 Drinking Water Leveraged Loan Account”* shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Loan Fund.

*“Series 2008 Drinking Water State Administration Account”* shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Administration Fund.

*“Series 2008 Drinking Water State Match Bond Account”* shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Bond Fund.

*“Series 2008 Drinking Water State Match Loan Account”* shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Loan Fund.

*“Series 2008 Drinking Water Restricted Cumulative Excess Principal Repayments Subaccount”* shall mean the subaccount established pursuant to Section 3.01 hereof within the Drinking Water Revenue Fund.

*“Series 2008 Drinking Water Restricted Principal Repayments Account”* shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Revenue Fund.

“*Series 2008 Drinking Water Unrestricted Cumulative Excess Interest Repayments Subaccount*” shall mean the subaccount established pursuant to Section 3.01 hereof within the Drinking Water Revenue Fund.

“*Series 2008 Drinking Water Unrestricted Interest Repayments Account*” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Revenue Fund

“*Series Resolution*” shall mean this Series Resolution, as amended or supplemented from time to time together with the Series 2008 Supplemental Indenture, as executed and delivered in connection with the issuance and sale of the Series 2008 Bonds, as thereafter amended or supplemented

“*State Match Portion*” shall have the meaning given thereto in Section 3.02 of this Series Resolution and the Series 2008 Supplemental Indenture.

“*Tender Agent*” means the Trustee acting as tender agent under the Series 2008 Supplemental Indenture, and its permitted successors and assigns.

Section 1.03 Supplemental Granting Clauses. The South Dakota Conservancy District, in order to secure the payment of the principal of, premium (if any) and interest on all Bonds outstanding under or issued or to be issued under the Master Trust Indenture according to their tenor and effect and the performance and observance of each and all of the covenants and conditions herein and therein contained, and for and in consideration of the premises and of the purchase and acceptance of the Bonds by the respective purchaser or purchasers and registered owner or owners thereof, and for other good and valuable considerations, the receipt whereof is hereby acknowledged, but in all events subject to the General Limitation, by these presents does hereby grant, bargain, sell, assign, transfer, convey, warrant, pledge and set over, unto the Trustee and to its successor or successors in the trust hereby created and to its assigns forever:

I.

A lien on and pledge of the interests of the District in all Loan Agreements heretofore financed under the Master Trust Indenture, all Loan Obligations acquired in connection therewith and all payments of principal, premium (if any) and interest thereon, and all proceeds thereof.

II.

A lien on and pledge of the interests of the District in all Loan Agreements hereafter entered into between the District and Borrowers in connection with Loans authorized hereby and all Loan Obligations acquired with the proceeds of such Loans, and all payments of principal, premium (if any) and interest thereon, and all proceeds thereof.

### III.

A lien on and pledge of all funds and other amounts received by the District from the Letter of Credit for deposit in the Program Subfunds to the extent applied for the purpose of making Loans or other requirements hereunder, as and when received, and all proceeds thereof, all subject to the terms, conditions and limitations of the Relevant Federal Act, the rules and regulations promulgated thereunder, and the Applicable EPA Agreements.

### IV.

Any and all other property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, assigned or transferred, or in which a security interest is granted, by the District or by anyone in its behalf or with its written consent, to the Trustee, which hereby is authorized to receive any and all such property at any and all times and to hold and apply the same to the terms hereof.

SUBJECT, HOWEVER, to the right of the District to withdraw or otherwise cause to be released or substituted from the Trust Estate any Loan Obligations and Loan Agreements, other assets, funds, investments or related rights of payments (defined in the Master Trust Indenture as "Released Obligations") pursuant to such Section 5.10 of the Master Trust Indenture.

TO HAVE AND TO HOLD all and singular the said property hereby conveyed and assigned, or agreed or intended so to be, to the Trustee, its successor or successors in trust and its assigns, FOREVER.

IN TRUST, NEVERTHELESS, upon the terms and trust herein set forth and in the Master Trust Indenture, for the equal and proportionate benefit, security and protection of all Holders of the Bonds issued or to be issued under and secured by the Master Trust Indenture, without preference, priority or distinction as to lien or otherwise or any of the Bonds over any of the others except as is specifically provided herein;

PROVIDED, HOWEVER, that if the District, its successors or assigns, shall well and truly pay or cause to be paid the principal of the Bonds and the premium, if any, and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee sums sufficient to pay the entire amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Master Trust Indenture (as supplemented from time to time), to be kept, performed and observed by it and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof; then upon such final payment the Master Trust Indenture, and the rights hereby granted shall cease, determine and be void; otherwise, the Master Trust Indenture to be and remain in full force and effect.



## ARTICLE II

### Authorization of Series 2008 Bonds

Section 2.01 Authorization of the Third Amended and Restated Master Trust Indenture, the Series 2008 Supplemental Indenture and the Series 2008 Bonds. The Original Master Trust Indenture shall be amended and restated in the form of the Third Amended and Restated Master Trust Indenture. The form of the Third Amended and Restated Master Trust Indenture and the Series 2008 Supplemental Indenture on file are each hereby approved and the Chairman and Secretary are hereby authorized (provided only one signature shall be sufficient) to execute the same in substantially the form on file, but with all such changes and revisions as the officer executing the same shall approve. Pursuant to the Master Trust Indenture and the Series 2008 Supplemental Indenture, a Series of State Revolving Fund Revenue Bonds to be designated as the "Series 2008 Bonds" is hereby created and authorized to be issued in the aggregate original stated principal amount of not to exceed \$40,000,000. The Series 2008 Supplemental Indenture is hereby incorporated herein as if set out in full.

Section 2.02 Purposes. The Series 2008 Bonds are being issued to provide funds, together with amounts derived from EPA and deposited into the Federally Capitalized Loan Accounts, to be loaned to the Borrowers by purchasing Loan Obligations issued or to be issued by the Borrowers.

Section 2.03 Date, Payment Dates and Maturities. The Series 2008 Bonds shall be initially dated as provided in the Series 2008 Supplemental Indenture and shall bear interest from their dated date payable on each Interest Payment Date as provided in the Series 2008 Supplemental Indenture.

The Series 2008 Bonds shall mature on August 1 in each of the years and in the principal amounts as shall be determined by the Authorized Officers in the Series 2008 Supplemental Indenture, provided; however, the final maturity shall not be later than August 1, 2029 and the total scheduled principal and interest due in any year shall not exceed \$5,475,000 (taking into account any Sinking Fund Installments and assuming for this purpose that the Series 2008 Bonds remain Variable Rate Series 2008 Bonds for the entire period with interest calculated at 10% per annum, the maximum tax-exempt variable rate contemplated by the Initial Liquidity Facility).

Section 2.04 Sinking Fund Installments and Redemption Provisions. Any Series 2008 Bonds which are issued as term bonds (the "Series 2008 Term Bonds") shall be redeemed prior to their stated maturities by payment of Sinking Fund Installments, upon notice as provided in Article III of the Master Trust Indenture, on August 1 in each of the years and amounts as set forth in the Series 2008 Supplemental Indenture, in each case at a redemption price of 100% of the principal amount of such Series 2008 Term Bonds or portions thereof to be so redeemed, together with accrued interest to the redemption date.

The Series 2008 Bonds maturing on or before the First Call Date shall not be subject to optional redemption prior to their respective maturities. The Series 2008 Bonds maturing on or after the First Call Date are subject to redemption and prior payment at the option

of the District on or after the First Call Date in whole or in part in such amounts from such maturities as the District may determine and by lot within a maturity at the redemption prices (expressed as percentages of the principal amount of such Series 2008 Bonds or portions thereof to be redeemed) together with accrued interest to the redemption date provided in the Series 2008 Supplemental Indenture.

Section 2.05 Reserve Fund Requirements. The Series 2008 Bonds shall not be secured by a pledge of or lien on any amounts on deposit in either Reserve Fund.

Section 2.06 Interest Rate Denominations, Numbers and Letters. The Series 2008 Bonds shall bear interest at the rates per annum to be determined pursuant to the Series 2008 Supplemental Indenture. Bonds shall be issued in Authorized Denominations and shall be numbered separately from R-1 consecutively upwards in order of issuance.

Section 2.07 Filing of Materials and Satisfaction of Conditions Applicable to Issuance of Additional Bonds. The Chairman shall cause to be filed with the Trustee a Coverage Certificate for each Program based upon the principal amount, maturity and sinking fund schedule and interest rates applicable to the Series 2008 Bonds, satisfying the conditions of Section 2.11(b) of the Master Trust Indenture.

Section 2.08 Sale of Series 2008 Bonds; Execution of Bond Purchase Agreement. The Series 2008 Bonds shall be sold to the Underwriter at the price set forth in the Bond Purchase Agreement and pursuant to the terms of the Bond Purchase Agreement provided that the purchase price shall not be less than 99% of the par amount of the Series 2008 Bonds and the underwriter's discount shall not exceed 0.225% of the par amount of Series 2008 Bonds. The form of Bond Purchase Agreement on file is hereby approved and the Chairman and Secretary are hereby authorized (provided only one signature shall be sufficient) to execute the same in substantially the form on file, but with all such changes and revisions as the officer executing the same shall approve. .

Section 2.09 Execution of Initial Liquidity Support Facility. The Tender Price of Series 2008 Bonds shall be secured by the Initial Liquidity Support Facility. The form of Initial Liquidity Support Facility on file is hereby approved and the Chairman and Secretary are hereby authorized (provided only one signature shall be sufficient) to execute the same in substantially the form on file, but with all such changes and revisions as the officer executing the same shall approve. .

Section 2.10 Execution of Remarketing Agreement. The appointment of the Underwriter as Remarketing Agent for the Series 2008 Bonds is hereby approved and the remarketing of Series 2008 Bonds shall be subject to the Remarketing Agreement. The form of Remarketing Agreement on file is hereby approved and the Chairman and Secretary are hereby authorized (provided only one signature shall be sufficient) to execute the same in substantially the form on file, but with all such changes and revisions as the officer executing the same shall approve.

Section 2.11 Official Statement. The form of Official Statement of the District in respect of the Series 2008 Bonds, in substantially the form presented at this meeting, is hereby

approved and a final Official Statement shall be distributed with such changes, omissions, insertions and revisions as the officer executing the Official Statement shall deem advisable in order to make such Official Statement a complete and accurate disclosure of all material facts to prospective purchasers of the Series 2008 Bonds. The Chairman or Secretary (provided only one signature shall be sufficient) shall sign one or more copies of such final Official Statement on behalf of the District, and at least one such signed copy shall be filed with the permanent records of the District.

Section 2.12 Delegation of Certain Functions. The Secretary of the Department, or any authorized representative thereof, shall be authorized on behalf of the Department and the District to direct the Trustee to transfer funds from any account or fund under the Master Trust Indenture for the purpose of maximizing the State Match under the Program or to provide for flexibility for the Programs, including any transfers from time to time as authorized by the First Amendment approved hereby. In addition to the foregoing, the Secretary of the Department, or any authorized representative thereof, shall be authorized on behalf of the Department and the District to direct the Trustee to establish and maintain additional accounts or subaccount for the purposes described above or to account for allocation of restricted and unrestricted moneys under the Master Trust Indenture.

Section 2.13 Authorization and Ratification of Subsequent Acts. The officers, agents and employees of the District and the Department are hereby authorized and directed to do all such acts and things and to execute or accept documents as may be necessary to carry out and comply with the provisions of these resolutions and the documents approved hereby, and all of the acts and doings of the officers, agents and employees of the District and the Department which are in conformity with the intent and purposes of these resolutions, whether heretofore or hereafter taken or done, shall be and are hereby ratified, confirmed and approved. Without limiting the generality of the foregoing, the proper officers of the District are hereby also authorized and directed to execute, acknowledge and deliver such certificates, agreements and documents which, in the opinion of bond counsel, Perkins Coie LLP, are necessary to preserve the tax exempt status of the Series 2008 Bonds, including a form of Tax Regulatory Agreement providing for the periodic payment of certain earnings on funds held by the Trustee to the United States of America.

### ARTICLE III

#### Use of Proceeds of Series 2008 Bonds; Determination of State Match Portion, Leveraged Portion and Allocable Portions

##### Section 3.01 Establishment of Series 2008 Accounts.

(a) There is hereby established within the Loan Fund for each Program the following accounts which are to be maintained by the Trustee pursuant to the Master Trust Indenture and this Series Resolution:

1. In the Clean Water Loan Fund, (A) a Series 2008 Clean Water State Match Loan Account, (B) a Series 2008 Clean Water Leveraged Loan Account and (C) a Series 2008 Clean Water Federally Capitalized Loan Account; and

2. In the Drinking Water Loan Fund, (A) a Series 2008 Drinking Water State Match Loan Account, (B) a Series 2008 Drinking Water Leveraged Loan Account and (C) a Series 2008 Drinking Water Federally Capitalized Loan Account.

(b) There is hereby established within the Revenue Fund for each Program the following accounts and subaccounts which are to be maintained by the Trustee pursuant to the Master Trust Indenture and this Series Resolution:

1. In the Clean Water Revenue Fund, (A) a Series 2008 Clean Water Unrestricted Interest Repayments Account, (B) a Series 2008 Clean Water Restricted Principal Repayments Account, (C) a Series 2008 Clean Water Unrestricted Cumulative Excess Interest Repayments Subaccount and (D) a Series 2008 Clean Water Restricted Cumulative Excess Principal Repayments Subaccount; and

2. In the Drinking Water Revenue Fund, (A) a Series 2008 Drinking Water Unrestricted Interest Repayments Account, (B) a Series 2008 Drinking Water Restricted Principal Repayments Account, (C) a Series 2008 Drinking Water Unrestricted Cumulative Excess Interest Repayments Subaccount and (D) a Series 2008 Drinking Water Restricted Cumulative Excess Principal Repayments Subaccount.

(c) There is hereby established within the Administration Fund for each Program the following accounts which are to be maintained by the Trustee pursuant to the Master Trust Indenture and this Series Resolution:

1. In the Clean Water Administration Fund, a Series 2008 Clean Water State Administration Account; and

2. In the Drinking Water Administration Fund, a Series 2008 Drinking Water State Administration Account.

(d) There is hereby established within the Bond Fund for each Program the following accounts and subaccounts which are to be maintained by the Trustee pursuant to the Master Trust Indenture and this Series Resolution:

1. In the Clean Water Bond Fund, (A) a Series 2008 Clean Water State Match Bond Account and (B) a Series 2008 Clean Water Leveraged Bond Account. The Allocable Portion of the Leveraged Portion and State Match Portion of the Series 2008 Bonds shall be payable out of the Accounts described in this paragraph in such proportion as is established by the Series 2008 Supplemental Indenture pursuant to the provisions of the Master Trust Indenture.

2. In the Drinking Water Bond Fund, (A) a Series 2008 Drinking Water State Match Bond Account and (B) a Series 2008 Drinking Water Leveraged Bond Account. The Allocable Portion of the Leveraged Portion and the State Match Portion of the Series 2008 Bonds shall be payable out of the Accounts described

in this paragraph in such proportion as is established by the Series 2008 Supplemental Indenture pursuant to the provisions of the Master Trust Indenture.

Section 3.02 Determination of State Match Portion, Leveraged Portion and Allocable Portion.

(a) The Allocable Portion of Series 2008 Bonds for the Clean Water Program shall be determined by the Authorized Officers in the Series 2008 Supplemental Indenture (the “2008 Clean Water Allocable Portion”) in the manner required by the Master Trust Indenture.

(b) The Allocable Portion of the Series 2008 Bonds for the Drinking Water Program shall be determined by the Authorized Officers in the Series 2008 Supplemental Indenture (the “2008 Drinking Water Allocable Portion”) in the manner required by the Master Trust Indenture.

(c) The State Match Portion of the Series 2008 Bonds shall be determined by the Authorized Officers in the Series 2008 Supplemental Indenture (the “2008 State Match Portion”) in the manner required by the Master Trust Indenture.

(d) The Leveraged Portion for the Series 2008 Bonds shall be determined by the Authorized Officers in the Series 2008 Supplemental Indenture (the “2008 Leveraged Portion”) in the manner required by the Master Trust Indenture.

Section 3.03 Application of Proceeds of the 2008 Clean Water Allocable Portion. The proceeds of the 2008 Clean Water Allocable Portion of Series 2008 Bonds and any necessary transfers of funds from existing funds, accounts and subaccounts under the Master Trust Indenture shall be deposited in the amounts and to the credit of the Funds, Accounts and Subaccounts established hereunder and under the Master Trust Indenture as provided in the Series 2008 Supplemental Indenture as follows:

(a) An amount sufficient to provide State Match for fiscal years 2008, 2009 and 2010 shall be deposited in the Series 2008 Clean Water State Match Loan Account.

(b) An amount sufficient to pay accrued or capitalized interest on the 2008 Clean Water Allocable Portion of the Series 2008 Bonds shall be deposited in, and allocated between Accounts in, the Series 2008 Clean Water Bond Fund.

(c) An amount sufficient to pay the costs of issuance of the 2008 Clean Water Allocable Portion of the Series 2008 Bonds, to the extent payable by the District pursuant to the Bond Purchase Agreement, shall be deposited in the Series 2008 Clean Water State Administration Account.

(d) Any remaining proceeds of the 2008 Clean Water Allocable Portion of the Series 2008 Bonds, which are hereby deemed to be in an amount sufficient to fund the District’s reasonably foreseeable projected demands for the Clean Water Program in excess of grants from EPA and the deposit described above in clause (b), shall be deposited in the Series 2008 Clean Water Leveraged Loan Account.

Section 3.04 Application of Proceeds of the 2008 Drinking Water Allocable Portion. The proceeds of the 2008 Drinking Water Allocable Portion of Series 2008 Bonds shall be deposited in the amounts and to the credit of the Funds, Accounts and Subaccounts established hereunder and under the Master Trust Indenture as provided in the Series 2008 Supplemental Indenture as follows:

(a) An amount sufficient to provide State Match for fiscal year 2008, 2009 and 2010 shall be deposited in the Series 2008 Drinking Water State Match Loan Account.

(b) An amount sufficient to pay accrued or capitalized interest on the 2008 Drinking Water Allocable Portion of the Series 2008 Bonds shall be deposited in, and allocated between Accounts in, the Series 2008 Drinking Water Bond Fund.

(c) An amount sufficient to pay the costs of issuance of the 2008 Drinking Water Allocable Portion of the Series 2008 Bonds, to the extent payable by the District pursuant to the Bond Purchase Agreement, shall be deposited in the 2008 Drinking Water State Administration Account.

(d) The remaining proceeds, which are hereby deemed to be in an amount sufficient to fund the District's reasonably foreseeable projected demands for the Drinking Water Program in excess of grants from EPA and the deposit described above in clause (b), shall be deposited in the Series 2008 Drinking Water Leveraged Loan Account.

Section 3.05 Allocation of Interest Earnings and Other Amounts; Investment Agreements. (a) Earnings on any amounts on deposit in the Series 2008 Drinking Water Leveraged Loan Account and the Series 2008 Drinking Water State Match Loan Account shall be allocated periodically no less frequently than as of the end of each January and July to the Series 2008 Drinking Water Unrestricted Interest Repayments Account.

(b) Earnings on any amounts on deposit in the Series 2008 Clean Water Leveraged Loan Account and the Series 2008 Clean Water State Match Loan Account shall be allocated periodically no less frequently than as of the end of each January and July to the Series 2008 Clean Water Unrestricted Interest Repayments Account.

Section 3.06 Re-designation of Various Funds, Accounts and Subaccounts. At the direction of any Authorized Officer, the Trustee may re-designate or clarify the various names of the Funds, Account and Subaccounts created hereunder, under the Master Trust Indenture or any other prior indenture or resolution so as to properly account for the various funds, accounts and subaccounts established hereunder for purposes of compliance with any requirements of the Code, any requirements of the Environmental Protection Agency or compliance with various investment agreements or any accounting requirements. The actions authorized hereby shall expressly include the creation or re-designation or correction of the names of various funds, accounts or subaccounts which are consistent with any provisions of the Master Trust Indenture or with any subsequent requests or requirements of the Environmental Protection Agency, the requirements of the Code or any investment provider.

## ARTICLE IV

### Form, Execution and Other Details of Series 2008 Bonds

Section 4.01 Form of Series 2008 Bonds. The Series 2008 Bonds, the Registrar's Authentication Certificate, and the form of assignment on the reverse side thereof shall be in substantially the form set forth in Exhibit B to the Master Trust Indenture, with all such insertions as may be consistent with this Series Resolution and the Bond Purchase Agreement. The approving legal opinion of Perkins Coie LLP, as Bond Counsel, may be printed on the reverse side of or be attached to the Bonds and certified by the Chairman.

Section 4.02 Execution and Delivery. The Series 2008 Bonds shall be executed and delivered as provided in the Master Trust Indenture and the Series 2008 Supplemental Indenture.

(a) Uses of Securities Depository; Book-Entry Only System. The provisions of the Series 2008 Supplemental Indenture shall take precedence over the provisions of the Master Trust Indenture to the extent they are inconsistent therewith as to matters relating to the appointment of The Depository Trust Company ("DTC") to act as securities depository for the Series 2008 Bonds, and to provide a Book-Entry Only System for registering the ownership interests of the financial institutions for which it holds the Series 2008 Bonds (the "DTC participants"), and for distributing to such DTC Participants such amount of the principal and interest payments on the Series 2008 Bonds as they are entitled to receive, for redistribution to the beneficial owners of the Series 2008 Bonds as reflected in their records (the "Beneficial Owners").

## ARTICLE V

### Special Covenants

The Board of Water and Natural Resources and the District covenant and agree with the persons who at any time are Holders and Owners of the Series 2008 Bonds that so long as any Series 2008 Bonds remain outstanding and unpaid:

Section 5.01 Observe Master Trust Indenture, Series Resolution, Series 2008 Supplemental Indenture and Loan Agreements. The District will faithfully keep and observe all the terms, provisions and covenants contained in the Master Trust Indenture, this Series Resolution and the Loan Agreements.

Section 5.02 Maintenance of Tax-Exempt Status. The District shall not take, or permit the Political Subdivision to take, any action that would cause the Series 2008 Bonds to be "private activity bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended. The District shall comply with all the rebate requirements imposed under Section 148(f) of the Internal Revenue Code of 1986, as amended, and regulations thereunder, which are necessary to preserve the tax exempt status of the Series 2008 Bonds, including (if applicable) the requirement to make periodic calculations of the amount subject to rebate thereunder and the requirement to make all required rebates to the United States. The District

agrees to use any moneys on deposit in any Fund or Account maintained under the Master Trust Indenture to pay any such rebate (or penalty in lieu thereof) when due to the extent permitted by the Master Trust Indenture. In addition, the District shall make no investment of funds or take or permit the Political Subdivision to take any action that would cause the Series 2008 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations thereunder. The Chairman is hereby authorized to make on behalf of the District any elections under the provisions of Section 148 of the Internal Revenue Code of 1986 and regulations thereunder as he may deem appropriate. All terms used in this Section 5.02 shall have the meanings provided in the Internal Revenue Code of 1986, as amended, and regulations thereunder. The Chairman shall execute any certificates as may be necessary or appropriate to establish the tax exempt status of the Bonds.

ARTICLE VI

Miscellaneous

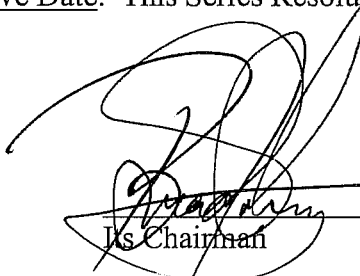
Section 6.01 Adjustments by Authorized Officers.

The Authorized Officers are hereby authorized and directed to adjust the deposit and application of the proceeds of the Series 2008 Bonds as described herein if and to the extent such Authorized Officers determine that the payment of any underwriter's discount, bond insurance premium or other amounts can be made from any other funds or accounts in a manner favorable to the District.

Section 6.02 Amendments. This Series Resolution and the Series 2008 Supplemental Indenture may be amended as provided in the Master Trust Indenture.

Section 6.03 Effective Date. This Series Resolution is effective immediately.

Adopted: February 8, 2008.



\_\_\_\_\_  
Its Chairman

Attest:



\_\_\_\_\_  
Its Secretary