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

SERIES RESOLUTION #2012- 80  AUTHORIZING STATE
REVOLVING FUND PROGRAM BONDS
SERIES 2012

WHEREAS, the South Dakota Conservancy District (the “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 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 notes 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 to or in trust for the holder or holders of the bonds and notes 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
WHEREAS, the District and The First National Bank in Sioux Falls (the "Trustee") previously entered into that certain (a) Master Trust Indenture dated as of January 1, 1994, as heretofore amended and supplemented (the "Original Clean Water Indenture") and (b) 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, restated and consolidated the Original Clean Water Indenture and Original Drinking Water Indenture into the Amended and Restated Indenture; and

WHEREAS, pursuant to that certain First Amendment dated as of October 1, 2005, that certain Second Amendment dated as of April 1, 2006, that certain Third Amended and Restated Master Trust Indenture dated as of March 1, 2008, that certain Fourth Amended and Restated Master Trust Indenture dated as of August 1, 2009, and that certain Fifth Amended and Restated Master Trust Indenture dated as of September 1, 2010, the District and the Trustee amended and supplemented the Amended and Restated Indenture (herein, as now or hereafter amended, supplemented or restated, the "Master Trust Indenture"); and

WHEREAS, the Board of Water and Natural Resources has determined that it is necessary and expedient that the District issue additional bonds and notes from time to time pursuant to the Master Trust Indenture and various Series Resolutions and to loan the proceeds thereof to Borrowers in furtherance of the Programs; and

WHEREAS, the District is authorized and empowered by the provisions of the Act to issue bonds and notes 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 notes; 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 and notes 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 notes; 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 expedient that the District issue one or more series of Bonds (herein, the "Series 2012 Bonds") for the purpose of providing funds sufficient (a) to provide funds for new Loans to Borrowers under the Clean
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) A draft Preliminary Official Statement with respect to the Series 2012 Bonds (referred to herein as the “Preliminary Official Statement”);

(ii) Continuing Disclosure Agreement (in the form of an appendix to the Preliminary Official Statement and referred to herein as the “Continuing Disclosure Agreement”);

(iii) Bond Purchase Agreement (the “Bond Purchase Agreement”) by and between the District and Wells Fargo Bank, National Association, for itself and as Representative of Piper Jaffray & Co., Inc. and J.P. Morgan Securities LLC (the “Underwriters”), (the “Representative”);

(iv) Supporting schedules which demonstrate satisfaction of the requirements of Section 2.11(b) of the Master Trust Indenture for the issuance of Additional Bonds (as contained within the Preliminary Official Statement); and

(v) A form of Escrow Agreement between the District and The First National Bank in Sioux Falls, as escrow agent (the "Escrow Agent") to be used in connection with each series of Refunded Bonds (as defined herein).

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 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 2012 Bonds pursuant to the Master Trust Indenture and the refunding of the Refunded Bonds (as defined herein) with the proceeds of the Series 2012 Bonds and other available monies will implement the policies of the Act.

Section 1.02 Definitions. Unless defined below in this Section 1.02, all terms defined in the Master Trust Indenture, or in the Act, as applicable, shall have the same meanings, respectively, in this Series Resolution and with respect to the Series 2012 Bonds as such terms are given in the Master Trust 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 2012 Bonds:

"2012A Clean Water Allocable Portion" shall have the meaning given thereto in Section 3.02.

"2012A Clean Water Leveraged Portion" shall have the meaning given thereto in Section 3.02.

"2012A Clean Water State Match Portion" shall have the meaning given thereto in Section 3.02.

"2012A Drinking Water Allocable Portion" shall have the meaning given thereto in Section 3.02.

"2012A Drinking Water Leveraged Portion" shall have the meaning given thereto in Section 3.02.

"2012A Drinking Water State Match Portion" shall have the meaning given thereto in Section 3.02.

"2012B Clean Water Allocable Portion" shall have the meaning given thereto in Section 3.02.

"2012B Clean Water Leveraged Portion" shall have the meaning given thereto in Section 3.02.

"2012B Clean Water State Match Portion" shall have the meaning given thereto in Section 3.02.

"2012B Drinking Water Allocable Portion" shall have the meaning given thereto in Section 3.02.

"2012B Drinking Water Leveraged Portion" shall have the meaning given thereto in Section 3.02.

"2012B Drinking Water State Match Portion" shall have the meaning given thereto in Section 3.02.

"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.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2012 Bonds, including persons holding Series 2012 Bonds; through nominees or depositories.
“Bond Order” shall mean a written order signed by two Authorized Officers consistent with the authority of this resolution setting forth the definitive terms and conditions of the Series 2012 Bonds as shall be agreed to in the Bond Purchase Agreement.

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement with respect to the Series 2012 Bonds entered into between the District and the Representative, on behalf of the Underwriters.

“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 2012 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, and includes the State Revolving Fund Program Implementation Regulations, any amendments thereof issued pursuant thereto and any other applicable regulations.

"Escrow Agent" means The First National Bank in Sioux Falls.

“Escrow Agreements” means the four Escrow Agreements between the District and the Escrow Agent with respect to, respectively, the Series 2001 Clean Water Bonds, Series 2001 Drinking Water Bonds, the Series 2004 Bonds and the Series 2005 Bonds.

“Interest Payment Date” shall have the meaning given thereto in the Bond Order.

“Leveraged Portion” shall have the meaning given thereto in Section 3.02 of this Series Resolution.


“Refunded Bonds” shall mean the Refunded 2001 Clean Water Bonds, the Refunded Drinking Water Bonds, the Refunded 2004 Bonds and the Refunded 2005 Bonds.


“Representative” shall mean Wells Fargo Bank, National Association.

“Series 2001 Clean Water Bond Fund” means the Clean Water Bond Fund established pursuant to the Series Resolution (Series 2001), and any account established therein with respect to the Series 2001 Clean Water Bonds.

“Series 2001 Drinking Water Bond Fund” means the Drinking Water Bond Fund established pursuant to the Series Resolution (Series 2001), and any account established therein with respect to the Series 2001 Drinking Water Bonds.

“Series 2004 Bond Fund” means the Bond Fund established pursuant to the Series Resolution (Series 2004), and any account established therein with respect to the Series 2004 Bonds.

“Series 2005 Bond Fund” means the Bond Fund established pursuant to the Series Resolution (Series 2009), and any account established therein with respect to the Series 2005 Bonds.


“Series 2004 Bonds” shall mean the District’s $38,460,000 State Revolving Fund Program Bonds, Series 2004.

“Series 2005 Bonds” shall mean the District’s $50,000,000 State Revolving Fund Program Bonds, Series 2005.


“Series 2012A Bonds” shall mean the District’s Taxable Revenue Bonds, Series 2012A issued pursuant to the Master Trust Indenture, this Series Resolution and the Bond Order.
“Series 2012B Bonds” shall mean the District’s Revenue Bonds, Series 2012B issued pursuant to the Master Trust Indenture, this Series Resolution and the Bond Order.

“Series Resolution” shall mean this Series Resolution, as amended or supplemented from time to time.

“Series Resolution (Series 2001 Clean Water)” means the Series Resolution adopted with respect to the Series 2001 Clean Water Bonds, as heretofore amended or supplemented.

“Series Resolution (Series 2001 Drinking Water)” means the Series Resolution adopted with respect to the Series 2001 Drinking Water Bonds, as heretofore amended or supplemented.

“Series Resolution (Series 2004)” means the Series Resolution adopted with respect to the Series 2004 Bonds, as heretofore amended or supplemented.

“Series Resolution (Series 2005)” means the Series Resolution adopted with respect to the Series 2005 Bonds, as heretofore amended or supplemented.

“State Match Portion” shall have the meaning given thereto in Section 3.02 of this Series Resolution.

“Underwriters” shall have the meaning given thereto in the Bond Purchase Agreement.

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 and Notes 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 and Notes 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 (including Supplemental 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 and Notes 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 or Notes over any of the others except as is specifically provided herein or in the Master Trust Indenture;

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 Notes and the premium, if any, and interest due or to become due thereon, at the times and in the manner mentioned in the Bonds and Notes, 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 2012 Bonds

Section 2.01 Authorization of the Series 2012 Bonds. Pursuant to the Master Trust Indenture, one or more series of State Revolving Fund Program Revenue Bonds, Series 2012 in an aggregate principal amount not to exceed $132,000,000 (the “Series 2012 Bonds”) are hereby authorized and created and shall be issued in one or more series consisting of either or both of the following: (a) Taxable Revenue Bonds, Series 2012A (the “Series 2012A Bonds”) and (b) Revenue Bonds, Series 2012B (the “Series 2012B Bonds”).

Section 2.02 Purposes. The Series 2012 Bonds are being issued to provide funds sufficient, together with other available moneys, (a) to provide funds to be deposited to the Clean Water Leveraged Loan Account established with respect to the Series 2012B Bonds which funds are to be loaned to Borrowers, (b) to provide funds to be deposited to the Clean Water State Match Loan Account established with respect to the Series 2012B Bonds which, together with amounts derived from EPA and deposited into the Federally Capitalized Loan Account, are to be loaned to Borrowers, (c) to advance refund all or a portion of the Series 2004 Bonds and Series 2005 Bonds, (d) to refund on a current basis the Series 2001 Clean Water Bonds and Series 2001 Drinking Water Bonds, and (e) to pay costs of issuance related to the Series 2012 Bonds.

Section 2.03 Date, Payment Dates and Maturities. The Series 2012 Bonds shall be initially dated as provided in the Bond Order and, thereafter, Series 2012 Bonds issued on or subsequent to the first interest payment date shall be dated as of the most recent date to which interest has been duly paid or provided for.

The Series 2012 Bonds shall bear interest from their dated date payable semiannually on February 1 and August 1 in each year, commencing August 1, 2012.

Section 2.04 Sinking Fund Installments and Redemption Provisions.

The Series 2012 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 Bond Order, provided; however, the final maturity shall not be later than August 1, 2033 and the total scheduled principal and interest due in any year (after taking into account any Sinking Fund Installments) shall not exceed $14,000,000.

Any Series 2012 Bonds which are issued as term bonds (the “Series 2012 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 Bond Order, in each case at a redemption price of 100% of the principal amount of such Series 2012 Term Bonds or portions thereof to be so redeemed, together with accrued interest to the redemption date.
The Series 2012 Bonds shall be subject to redemption prior to their stated maturity only as provided in the Bond Order.

Section 2.05 Reserve Fund Requirements. The Series 2012 Bonds shall not be secured by a pledge of or lien on any amounts on deposit in either Reserve Fund.

Section 2.06 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 Bonds the District expects to be issued to provide the funds necessary to pay the Series 2012 Bonds on the Maturity Date, all pursuant to the terms and conditions of Section 2.11(b) of the Master Trust Indenture.

Section 2.07 Sale of Series 2012 Bonds; Execution of Bond Purchase Agreement. The forms of Bond Purchase Agreement and Escrow Agreements on file are hereby approved and the Authorized Officers 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, provided that prior to the execution and delivery of the Bond Purchase Agreement and Escrow Agreements, the Authorized Officers shall make the determinations described below, which determinations shall be memorialized in the Bond Order at or prior to the delivery of the Series 2012 Bonds.

Before executing and delivering the Bond Purchase Agreement and Escrow Agreements, the Authorized Officers shall first determine that the weighted average interest cost of the Series 2012A Bonds is less than 4.00%, the last stated maturity date for the Series 2012A Bonds is not later than August 1, 2026, the purchase price to be paid by the underwriter is not less than 99% of the Series 2012A Bonds that the net present value savings with respect to the Refunded Bonds will be at least 4.00% of the principal amount of the Refunded Bonds and the underwriters' discount (disregarding for such purposes any net original issue premium or discount) shall not exceed 0.55% of the par amount of Series 2012A Bonds. All such determinations shall be included in the Bond Order and if so included, shall be conclusive evidence of such determinations for all purposes.

Before executing and delivering the Bond Purchase Agreement and Escrow Agreements, the Authorized Officers shall first determine that the weighted average interest cost of the Series 2012B Bonds is less than 4.00%, the last stated maturity date for the Series 2012B Bonds is not later than August 1, 2033, the yield for arbitrage purposes for the Series 2012B Bonds does not exceed 4.00%, the purchase price to be paid by the underwriter is not less than 99% of the Series 2012B Bonds, that the net present value savings with respect to the Refunded Bonds will be at least 4.00% of the Refunded Bonds and the underwriters' discount (disregarding for such purposes any net original issue premium or discount) shall not exceed 0.55% of the par amount of Series 2012B Bonds. All such determinations shall be included in the Bond Order and if so included, shall be conclusive evidence of such determinations for all purposes.

Section 2.08 Official Statement. The form of Preliminary Official Statement, 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
Section 2.09  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 to provide for flexibility for the Programs, including any transfers from time to time as authorized by the Master Trust Indenture. 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 2.10  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, including the execution and delivery of an escrow agreement with respect to the Refunded Bonds and the purchase of escrow securities to defease such Refunded Bonds, 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 2012 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 2012 Bonds; Determination of, Leveraged Portion and Allocable Portions

Section 3.01  Establishment of Accounts.

(a)  There is hereby established within the Loan Fund for each Program and with respect to each Series of Bonds (i.e. Series 2012A and Series 2012B) 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 Clean Water Leveraged Loan Account and a Clean Water State Match Loan Account.
2. In the Drinking Water Loan Fund, a Drinking Water Leveraged Loan Account and a Drinking Water State Match Loan Account.

(b) There is hereby established within the Revenue Fund for each Program and with respect to each Series of Bonds (i.e. Series 2012A and Series 2012B) 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 Clean Water Unrestricted Interest Repayments Account, (B) a Clean Water Restricted Principal Repayments Account, (C) a Clean Water Unrestricted Cumulative Excess Interest Repayments Subaccount and (D) a Clean Water Restricted Cumulative Excess Principal Repayments Subaccount.

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

(c) There is hereby established within the Administration Fund for each Program and with respect to each Series of Bonds (i.e. Series 2012A and Series 2012B) 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 Clean Water State Administration Account.

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

(d) There is hereby established within the Bond Fund for each Program and with respect to each Series of Bonds (i.e. Series 2012A and Series 2012B) 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 Clean Water Leveraged Bond Account and a State Match Bond Account.

2. In the Drinking Water Bond Fund, a Drinking Water Leveraged Bond Account and a State Match Bond Account.

3. In the Bond Fund for each Program, such other accounts as the Authorized Officers determine to be necessary or appropriate to provide for payment of the Series 2012 Bonds in accordance with the Master Trust Indenture.
Section 3.02 Determination of Allocable Portions.

(a) **Allocable Portion of Series 2012A Debt Service for Clean Water Program.** The Allocable Portion of Debt Service with respect to the Series 2012A Bonds for the Clean Water Program shall be determined by the Authorized Officers in the Bond Order (the “2012A Clean Water Allocable Portion”) based upon the actual use of the proceeds of the Refunded 2004/2005 Bonds in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

(b) **Allocable Portion of Debt Service for Series 2012A Drinking Water Program.** The Allocable Portion of Debt Service with respect to the Series 2012A Bonds for the Drinking Water Program shall be determined by the Authorized Officers in the Bond Order (the “2012A Drinking Water Allocable Portion”) based upon the actual use of the proceeds of the Refunded 2004/2005 Bonds in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

(c) **Allocable Portion of Series 2012A State Match and Leveraged Debt Service for Clean Water Program.** The Allocable State Match Portion and Leveraged Portion of Debt Service with respect to the Series 2012A Bonds for the Clean Water Program shall be determined by the Authorized Officers in the Bond Order (the “2012A Clean Water State Match Portion” and the “2012A Clean Water Leveraged Portion”) based upon the actual use of the proceeds of the Refunded 2004/2005 Bonds in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

(d) **Allocable Portion of Series 2012A State Match and Leveraged Debt Service for Drinking Water Program.** The Allocable State Match Portion and Leveraged Portion of Debt Service with respect to the Series 2012A Bonds for the Drinking Water Program shall be determined by the Authorized Officers in the Bond Order (the “2012A Drinking Water State Match Portion” and the “2012A Drinking Water Leveraged Portion”) based upon the actual use of the proceeds of the Refunded 2004/2005 Bonds in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

(e) **Allocable Portion of Series 2012B Debt Service for Clean Water Program.** The Allocable Portion of Debt Service with respect to the Series 2012B Bonds for the Clean Water Program shall be determined by the Authorized Officers in the Bond Order (the “2012B Clean Water Allocable Portion”) based upon (1) the actual use of the proceeds of the Refunded 2001 Clean Water Bonds, (2) the deposit of Series 2012B Bond proceeds into the Clean Water Leveraged Loan Account for the Series 2012B Bonds and (3) the deposit of the Series 2012B Bond Proceeds into the Clean Water State Match Loan Account for the Series 2012B Bonds in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

(f) **Allocable Portion of Debt Service for Series 2012B Drinking Water Program.** The Allocable Portion of Debt Service with respect to the Series 2012B Bonds for the Drinking Water Program shall be determined by the Authorized Officers in the Bond Order (the “2012B Drinking Water Allocable Portion”) based upon the actual use of the proceeds of the
Refunded 2001 Drinking Water Bonds in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

(g) Allocable Portion of Series 2012B State Match and Leveraged Debt Service for Clean Water Program. The Allocable State Match Portion and Leveraged Portion of Debt Service with respect to the Series 2012B Bonds for the Clean Water Program shall be determined by the Authorized Officers in the Bond Order (the "2012B Clean Water State Match Portion" and the "2012B Clean Water Leveraged Portion") based upon the actual use of the proceeds of the Refunded Bonds and the proceeds of the Series "2012B Bonds deposited into the accounts in the Clean Water Loan Fund established by Section 3.01(a)(1) in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

(h) Allocable Portion of Series 2012B State Match and Leveraged Debt Service for Drinking Water Program. The Allocable State Match Portion and Leveraged Portion of Debt Service with respect to the Series 2012B Bonds for the Drinking Water Program shall be determined by the Authorized Officers in the Bond Order (the "2012B Drinking Water State Match Portion" and the "2012B Drinking Water Leveraged Portion") based upon the actual use of the proceeds of the Refunded 2001 Drinking Water Bonds in the manner required by the Master Trust Indenture and shall be payable out of the applicable accounts described in Section 3.01(d) above.

Section 3.03 Application of Proceeds of the 2012 Proceeds.

(a) The proceeds of the Series 2012A Bonds shall be applied exclusively to refund the Refunded 2004/2005 Bonds as well as to pay certain related costs of issuance in connection with the Series 2012A Bonds, all as shall be specified in the Bond Order.

(b) The proceeds of the Series 2012B Bonds shall be applied for the purpose of (1) refunding the Refunded 2001 Bonds, (2) funding the Clean Water State Match Loan Account for the Series 2012B Bonds and (3) funding the Clean Water Leveraged Loan Account for the Series 2012B Bonds, as well as to pay certain related costs of issuance, all as shall be specified in the Bond Order.

(c) To the extent not financed out of the proceeds of the Series 2012 Bonds as provided in subparagraphs (a) and (b) above, the Authorized Officers shall provide in the Bond Order that costs of issuance of the Series 2012 Bonds may be paid for out of Revenues or other available funds of the District.

(d) The Bond Order shall specify the amount of proceeds from the sale of the Series 2012A Bonds and the Series 2012B Bonds, together with amounts on deposit in the Reserve Fund with respect to Refunding Bonds and any other available Excess Revenues, which shall be deposited into an escrow account to be established by the Escrow Agreements for the defeasance of the Refunded Bonds.

(e) The provision of notice of optional redemption by any Authorized Officer and/or by the Trustee with respect to the Refunded Bonds and notice of defeasance of the
Refunded Bonds is each hereby authorized, ratified and confirmed in all respects, whether provided heretofore or hereafter.

Section 3.04 Allocation of Interest Earnings and Other Amounts: Investment Agreements. (a) Earnings on any amounts on deposit in the Clean Water State Match Loan Account for each Series of Bonds shall be allocated periodically no less frequently than as of the end of each January and July to the Clean Water Unrestricted Interest Repayments Account for such Series of Bonds.

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

(c) 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 or under the Master Trust Indenture 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. In addition, and not by way of limitation, the Authorized Officers shall be authorized to include instructions to the Trustee in the Bond Order regarding the consolidation and/or closing of accounts and subaccounts with respect to any of the Series of the Refunded Bonds. 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 2012 Bonds

Section 4.01 Form of Series 2012 Bonds. The Series 2012 Bonds, the Registrar’s Authentication Certificate, and the form of assignment on the reverse side thereof shall be in substantially the form contemplated by the Master Trust Indenture, with all such insertions as may be consistent with this Series Resolution and the Bond Order. 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 2012 Bonds shall be executed and delivered as provided in the Master Trust Indenture.

Section 4.03 Uses of Securities Depository; Book-Entry Only System. The provisions of the Series Resolution and the Bond Order 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 2012 Bonds, and to provide a Book-Entry Only System for registering the ownership interests of the financial institutions for which it holds the Series 2012 Bonds (the “DTC participants”), and for distributing to such DTC Participants such amount of the principal and interest payments on the Series 2012 Bonds as they are entitled to receive, for redistribution to the beneficial owners of the Series 2012 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 2012 Bonds that so long as any Series 2012 Bonds remain outstanding and unpaid:

Section 5.01 Observe Master Trust Indenture, Series Resolution 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 2012B 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 2012B 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 2012B 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. The District covenants that it will take such actions as may be necessary in order to ensure that the interest on any Series 2012B Bonds remains excluded from the gross income of the holders thereof for federal income tax purposes under Section 103 of the Code.
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 2012 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 may be amended as provided in the Master Trust Indenture.

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


Attest:

Its Chairman

Its Secretary