

# MBIA Inc.

## FLEXIBLE DRAW INVESTMENT AGREEMENT

This INVESTMENT AGREEMENT dated as of December 19, 1996 among MBIA Inc., a Connecticut corporation ("INC"), The First National Bank in Sioux Falls, as trustee (the "Trustee") under a Master Trust Indenture, dated as of January 1, 1994 (as supplemented, the "Indenture"), between the Trustee and South Dakota Conservancy District (the "Issuer") providing for the issuance of \$2,770,000.00 State Revolving Fund Revenue Bonds, Series 1996A (the "Bonds"), and the Issuer.

WHEREAS, the Trustee is authorized upon the instruction of the Issuer and pursuant to the Indenture to invest certain monies with INC; and

WHEREAS, INC is prepared to accept such investment from the Trustee, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the parties hereto agree as follows:

### Article 1. Definitions.

As used herein, the following terms have the meanings indicated;

"Agreement" means this Investment Agreement among INC, the Trustee and the Issuer.

"Agreement Termination Date" means the earlier of (i) August 1, 2017, (ii) the date on which all of the Bonds have been redeemed, refunded or otherwise defeased or (iii) the date on which all of the Available Amounts Invested have been withdrawn and INC shall have received written notice from the Issuer or the Trustee that Amounts Invested will not be delivered to the Series 1996A Revenue Account or replenished to the Series 1996A Special Reserve Account in accordance with Section 2.1 hereof and the terms of the Indenture.

"Amounts Invested" means (a) the initial principal invested, which is (i) in the case of the Series 1996A Revenue Account, \$0.00, (ii) in the case of the Series 1996A Special Reserve Account, \$240,125.00, (iii) in the case of the Series 1996A State Match Bond Account, \$6,599.89, (iv) in the case of the Series 1996A State Match Loan Account, \$2,395,182.00, and (v) in the case of the Series 1996A

Federally Capitalized Loan Account, \$0.00, and (b) any funds delivered by the Trustee from time to time to the Series 1996A Revenue Account (including amounts transferred to the Series 1996A State Match Bond Account which amounts shall be transferred from the Series 1996A Revenue Account) or the Series 1996A Special Reserve Account in accordance with Section 2.1 hereof and the Indenture.

"Available Amounts Invested" means, as of any date, the Amounts Invested plus any Earnings less any Withdrawals made.

"Business Day" means any day which is not a Saturday or Sunday or a day on which commercial banks in the State of New York or the Trustee are authorized or required by law to be closed.

"Collateral" means the cash and Securities delivered to the Trustee pursuant to Article 4 hereof.

"Collateral Requirement" means Collateral consisting of cash or Securities sufficient to qualify the agreement for a rating of "A2" by Moody's Investors Service, Inc.

"Earnings" means, with respect to each Fund, the interest which will accrue daily at the Interest Rate on the Amounts Invested less any principal withdrawn on the close of each Business Day.

"Fund" or "Funds" means the (i) Series 1996A Revenue Account, (ii) Series 1996A Special Reserve Account, (iii) Series 1996A State Match Bond Account, (iv) Series 1996A State Match Loan Account, and/or the (v) Series 1996A Federally Capitalized Loan Account as such Accounts are defined in the Indenture.

"Insurer" means MBIA Insurance Corporation, a New York stock insurance company, in its capacity as guarantor of INC's obligations under this Agreement.

"Insurer Downgrade" means the reduction of the claims-paying ability rating of the Insurer to or below "A2" by Moody's Investors Service, Inc.

"Interest Payment Date" means 2 Business Days prior to February 1 and August 1 beginning August 1, 1997.

"Interest Rate" means 6.22% calculated on the basis of a 30-day month and a 360-day year.

"Investment Date" means December 19, 1996 and any other subsequent date on which Amounts Invested are received by INC.

"Policy" means the financial guaranty insurance policy issued by the Insurer, a copy of which is attached hereto as Exhibit A.

"Securities" means (i) securities issued or guaranteed by the United States Government or the Government National Mortgage Association, (ii) securities, including mortgage participation certificates and mortgage pass-through certificates, issued by U.S. Government Agencies, and (iii) such other securities as INC and the Trustee may agree to in writing, provided, all such securities shall be rated A2 or higher by Moody's.

"Withdrawal" means (i) the withdrawal pursuant to Section 2.2, of all or any portion of the Amounts Invested and/or any Earnings, on a Withdrawal Date or the Agreement Termination Date; or (ii) the payment of Earnings on the Funds pursuant to Section 2.4.

"Withdrawal Date" means, with respect to each Fund, (i) the dates set forth in a notice from the Trustee given in accordance with Section 2.2, (ii) the dates specified for the payment of interest under Section 2.4 or (iii) any date on which monies are withdrawn under Section 5.2.

## Article 2. Investment.

### 2.1 Delivery of Amounts Invested

On the Investment Date, the Trustee shall deliver the Amounts Invested in immediately available funds for the credit of INC's account as specified in Section 8.10(b) and INC shall accept the Amounts Invested from the Trustee. Amounts Invested may be delivered on subsequent Investment Dates with 2 Business Days notice and INC shall accept such monies provided that (i) in the case of the Series 1996A Special Reserve Account, the monies represent a replenishment of a Withdrawal on a pro rata basis with replenishment of (a) other investments in the Series 1996A Special Reserve Account, if any, or (b) other investments in the Special Reserve Accounts under the Indenture, and in either case the monies are being delivered within 730 days of a Withdrawal from the Series 1996A Special Reserve Account, (ii) in the case of the Series 1996A Federally Capitalized Loan Account, the monies represent deposits to such Fund equal to 5 times the Withdrawal from the Series 1996A State Match Loan Account which Withdrawal shall have occurred no more than 7 days prior to such deposit (iii) in the case of the Series 1996A Revenue Account such monies are being deposited in accordance with

the provisions of the Indenture, and (iv) in either case (i), (ii) or (iii), the Trustee shall certify to INC in the form attached as Exhibit C that such monies are being deposited in accordance with the provisions of the Indenture. The total balance of all Funds under the Agreement shall not exceed \$15,000,000 at any time. It is understood that INC will not segregate or separately account for the Amounts Invested held hereunder. The Trustee is required to maintain accurate records with respect to the principal of the Amounts Invested in the Funds.

2.2 Withdrawal.

Withdrawals may only be made on a Withdrawal Date, and only for those purposes identified in the Indenture as permitted uses of the Fund from which the money is withdrawn. Under no circumstances may Withdrawals be made for the purpose of reinvestment or to replace the Amounts Invested in the Fund with an alternative credit facility, including but not limited to a surety bond or a letter of credit. Withdrawals may be made once per week. The Issuer has advised INC and the Insurer that it has entered into separate investment agreements related to funds and cash flows under the Indenture. The Funds described herein will receive and disburse only those moneys related to the proceeds of the Series 1996A bonds and the related loans originated directly or indirectly from the federal capitalization grants as provided in the Indenture. The Issuer may allocate funds to this Agreement and other investment agreements on any reasonable basis, including on a pro rata or a basis consistent with federal tax law. The Issuer shall use its best efforts to make such allocations on a consistent basis to the extent permitted by tax law, sound administration of funds, and the other agreements, but not on the basis of interest rates. Notwithstanding the foregoing, Withdrawals may be made in such amounts and at such times as are necessary, in the opinion of nationally recognized bond counsel, to preserve the tax-exempt status of the Bonds. In order to make a Withdrawal, the Trustee shall deliver written notice to INC by 11:00 a.m. New York Time at least 2 Business Days prior to the date on which the Withdrawal is to be made, or 1 Business Day if the Withdrawal is to pay debt service on the Bonds. Notices of Withdrawals in the form attached as Exhibit B shall certify that such Withdrawal is being made in accordance with the permitted use of such Funds pursuant to the Indenture. The Trustee shall use its best efforts to advise INC at least 5 days ahead of an anticipated Withdrawal Date of the amount to be withdrawn.

96 Bonds  
MRIA  
Terminated  
8/1/2017

= 29% m/s

2.3 Transfers of Monies.

Amounts Invested shall be transferred to INC on or before 12:00 p.m. New York Time on the Investment Date. Withdrawals shall be transferred to the Trustee by 1:00 p.m. New York Time on a Withdrawal Date.

Such transfer shall be made to the accounts specified in Section 8.10(b) unless either party has designated another account in writing at least 5 Business Days prior to the date of the transfer. Any expenses incurred in connection with such transfers shall be borne by the transferor.

2.4 Interest on Amounts Invested.

The Earnings, from and including the Investment Date, to but excluding the Agreement Termination Date, shall be paid by INC by wire transfer to the Trustee in immediately available funds on each Interest Payment Date.

2.5 Monthly Reports by INC.

INC shall provide to the Trustee and the Issuer, at the end of each month, reports setting forth the Available Amounts Invested for each Fund.

2.6 Notices to INC.

(a) The Issuer or the Trustee shall notify INC in writing at least 30 days prior to any date on which any of the Bonds are to be refunded.

(b) The Issuer or the Trustee will provide INC with (i) monthly reports on loan origination and loan repayments and (ii) annual Issuer reports to the United States Environmental Protection Agency describing the status of the SRF program. The Trustee will provide INC with copies of reports required under the Indenture indicating that there are sufficient funds available to make the next succeeding interest or principal payment due on the Bonds when such information is prepared pursuant to the Indenture.

(c) The Issuer or the Trustee will provide INC with two (2) copies of the final official statement and Indenture with respect to the Bonds.

2.7 Termination.

This Agreement shall terminate on the Agreement Termination Date or if such date is not a Business Day, on the preceding Business Day. Upon such termination, INC shall transfer to the Trustee any amounts not previously withdrawn hereunder, and any Collateral delivered pursuant to Article 4 hereof shall be returned to INC.

Article 3. Delivery of Policy.

On or before the Investment Date, INC shall deliver or cause to be delivered to the Trustee the Policy, a copy of which is attached hereto as Exhibit A.

Article 4. Collateralization Upon Insurer Downgrade.

If an Insurer Downgrade occurs, INC shall notify the Trustee within 5 Business Days of the receipt by it of notice of such downgrade. At any time thereafter, INC, at the direction of the Trustee, shall within 10 Business Days of the receipt by it of a notice of such downgrade either (i) return all of the Available Amounts Invested to the Trustee or (ii) deliver, and grant to the Trustee, as custodian, a first and prior security interest in and to the Collateral, in an amount which shall be equal to the Collateral Requirement. If, as a result of an Insurer Downgrade and the receipt of the aforesaid direction of the Trustee, INC returns all of the Available Amounts Invested to the Trustee, this Agreement shall be terminated on the date of such return as if it were an Agreement Termination Date.

Article 5. Default.

5.1 Events of Default.

The following events shall constitute events of default under this Agreement (each an "Event of Default"):

- (a) INC and the Insurer on behalf of INC shall fail to make any payment when due pursuant to Article 2 of this Agreement and such failure shall have continued for 1 Business Day after the receipt by INC and the Insurer of written notice thereof from the Trustee.
- (b) INC shall fail to perform or observe any of its other material obligations under this Agreement and such failure shall have continued for more than 10 Business Days after receipt by INC of written notice from the Trustee.
- (c) INC or the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer

admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing.

(d) An involuntary proceeding shall be commenced or any involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of INC or the Insurer, or of a substantial part of either of their properties, under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for INC or the Insurer, or for a substantial part of either of their properties; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

(e) The termination (other than pursuant to its terms) or repudiation of the Policy or this Agreement or the taking of any other action by the Insurer which challenges the validity of the Policy or this Agreement.

## 5.2 Rights and Obligations Upon an Event of Default.

(a) Upon the occurrence of an Event of Default specified in Section 5.1(c) or (d) hereof, all Available Amounts Invested shall immediately become due and payable. Upon the occurrence and continuance of any other Event of Default specified in Section 5.1 hereof, the Trustee may declare all Available Amounts Invested to be immediately due and payable. If, as a result of an Event of Default, all Available Amounts Invested shall be, or be declared to be, immediately due and payable, then, with respect to any Collateral delivered pursuant to Article 4, the Trustee shall have the right to exercise its rights as a secured party under the Uniform Commercial Code, including the right, upon 2 Business Days notice to INC, to sell the whole or any part of the Collateral at such price or prices as the Trustee may deem reasonable, but for not less than the market value of such Collateral. The proceeds of the sale of all or any part of the Collateral shall be applied against amounts owed hereunder by INC, with the surplus, if any, remaining after satisfaction of INC's obligations hereunder to be returned to INC.

(b) If, as a result of the occurrence of an Event of Default, all Available Amounts Invested are withdrawn by the Trustee, this Agreement shall be terminated on the date of such withdrawal as if such date were an Agreement Termination Date.

Article 6. Representations and Warranties.

6.1 Representations and Warranties of the Trustee.

The Trustee represents and warrants to INC that:

(i) it has reviewed, understands, and agrees to be bound by the declaration set forth in Section 8.11 hereof;

(ii) it is duly authorized to enter into this Agreement and to perform all of its obligations contemplated hereunder;

(iii) this Agreement constitutes the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, receivership or other similar laws relating to or limiting the enforceability of creditors' rights generally, or general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity;

(iv) the execution, delivery and performance of this Agreement by the Trustee does not and will not result in a breach or violation of, or cause a default under its charter or bylaws or any provision of any law, regulation, order, indenture, contract or agreement binding upon the Trustee; and

(v) it is authorized by the Indenture to make the investments contemplated by this Agreement on the terms hereunder.

6.2 Representations and Warranties of the Issuer.

The Issuer represents and warrants to INC that:

(i) it has reviewed, understands, and agrees to be bound by the declaration set forth in Section 8.11 hereof;

(ii) it understands that neither INC nor any person representing INC has made any representation to it with respect to INC or the offering or sale of this Agreement or the Policy other than as set forth herein;

(iii) it has had access to such financial and other information concerning INC and the Insurer as it has deemed necessary in connection with its decision to invest the Amounts Invested hereunder;

(iv) it is not investing in this Agreement or the Policy with a view to any distribution thereof in violation of the Securities Act of 1933;

(v) it is duly authorized to enter into this Agreement and to perform all of its obligations hereunder;

(vi) this Agreement constitutes the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization moratorium, receivership or other similar laws relating to or limiting the enforceability of creditors' rights generally or general equitable principles, regardless of whether such enforcement is considered in a proceeding at law or in equity; and

(vii) the execution, delivery and performance of this Agreement by the Issuer does not and will not result in a breach or violation of, or cause a default under, its charter or by-laws or any provision of any law, regulation, order, contract or agreement binding upon the Issuer or its assets.

### 6.3 Representations and Warranties of INC.

INC represents and warrants to the Trustee and the Issuer that:

(i) it is duly authorized to enter into this Agreement and the transactions contemplated hereby;

(ii) this Agreement constitutes the legal, valid and binding obligation of INC enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, receivership or other similar laws relating to or limiting the enforceability of creditors' rights generally, or general equitable principles, in a proceeding at law or in equity; and

(iii) the execution, delivery and performance of this Agreement by INC does not and will not result in a breach or violation of or cause a default under, its charter or by-laws or any provision of any agreement, instrument, judgment, injunction or order applicable to or binding upon INC.

Notwithstanding any provision of this Agreement to the contrary, INC makes no representation regarding the consequences, if any, on the exclusion from gross income of interest on the Bonds for federal income tax purposes which may result from the transactions contemplated by this Agreement.

Article 7. Obligations of INC.

7.1 Limitation on INC's Liability.

In no event shall the performance of its obligations under this Agreement impose upon INC, or upon any director, officer, employee, agent or representative thereof, any liability or responsibility with respect to (i) the validity or enforceability of the Bonds or the Indenture, or any payments with respect to such Bonds or Indenture or (ii) any acts or omissions of the Trustee, including those with respect to (a) the Bonds or the Indenture, (b) the use or application of any monies payable to the Trustee under this Agreement or (c) the performance of any obligations imposed upon the Trustee pursuant to this Agreement, the Indenture or any other agreement or instrument entered into with respect to the Bonds. In furtherance and not in limitation of this Section 7.1 and irrespective of any review of the Indenture or its familiarity with similar such documents, INC shall neither have any duty (i) to enforce or comply with the terms of the Indenture, nor (ii) to investigate, supervise or insure the Trustee's compliance with such terms or the terms of this Agreement. The Trustee hereby acknowledges that INC and the Insurer may have business relationships with the Issuer and other persons with respect to the Bonds in addition to those created pursuant to this Agreement.

7.2 Unconditional Obligation.

The obligations of INC under this Agreement are unconditional and INC hereby waives any right of setoff or counterclaim with respect to the Available Amounts Invested.

Article 8. Miscellaneous.

8.1 Disclosure Concerning INC and the Insurer.

The Issuer hereby agrees that it will not, nor will it permit any other person to, include in any official statement, offering circular, information memorandum or other disclosure document prepared with respect to the Bonds the name of INC or the Insurer or any other information relating to INC, the Insurer, the Agreement or the Policy without INC's prior written consent.

## 8.2 Waiver and Amendment.

No failure or delay on the part of INC or the Trustee in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other right or remedy. The rights and remedies of INC or the Trustee hereunder are cumulative and are not exclusive of any rights or remedies provided by law or equity or in any other contract between the Trustee and INC or the Insurer. No provision of this Agreement may be amended, waived, modified or terminated, except in a writing duly signed by INC, the Issuer, the Insurer and the Trustee.

## 8.3 Survival.

All warranties, representations and obligations contained herein or in any of the instruments or documents delivered pursuant to this Agreement shall survive the delivery of any such instruments or documents.

## 8.4 Successors and Assigns.

This Agreement shall bind and the benefits hereof shall inure to the parties hereto and their respective successors and assigns. Notwithstanding the foregoing, this Agreement, and the obligations and rights arising out of this Agreement or any part hereof, shall not be sold, pledged or assigned or otherwise transferred by INC or the Trustee without the prior written consent of the other parties hereto; provided however that INC may transfer this Agreement or any of its interests or obligations hereunder to any subsidiary of INC or the Insurer, if from and after such transfer the obligations of the transferee hereunder shall be guaranteed by the Insurer under terms at least as favorable as the terms of the Policy. In addition, this Agreement may not be transferred in whole or in part to any other series of bonds, including but not limited to any bonds refunding the Bonds, without the prior written consent of INC.

## 8.5 Governing Law.

This Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of South Dakota.

8.6 Severability.

In the event any provision of this Agreement is declared invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

8.7 Counterparts.

This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument.

8.8 Integration of Terms.

This Agreement contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

8.9 Descriptive Headings.

The descriptive headings of the various articles and sections of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

8.10 Notices and Wire Transfer Directions.

(a) All written notices, requests, demands and other communications hereunder shall be deemed to have been duly given or made when actually received and in the case of telex or telecopies, when sent. All such communications shall be addressed to the attention of the person listed below, or to such other address or to the attention of such other person as such party shall have designated in writing to the other parties hereto.

If to INC:

MBIA Inc.  
c/o MBIA Investment Management Corp.  
113 King Street  
Armonk, New York 10504  
Attention: Marc D. Morris  
Telephone: 914-765-3686  
Telecopy: 914-765-3306

If to the Insurer:

MBIA Insurance Corporation  
113 King Street  
Armonk, New York 10504  
Attention: President  
Telephone: 914-273-4545  
Telecopy: 914-765-3163

If to the Trustee:

The First National Bank in Sioux Falls  
100 South Phillips  
Drawer 5186  
Sioux Falls, South Dakota 57117-5186  
Attention: F. Bert Olson  
Telephone: 605-339-5219  
Telecopy: 605-357-7666

If to the Issuer:

South Dakota and Conservancy District  
c/o South Dakota Department of Environment and Natural  
Resources Division of Water Management  
523 East Capitol Avenue  
Joe Foss Building - Lower Level  
Pierre, South Dakota 57501-3181  
Attention: Lynne Chasing Hawk  
Telephone: 605-773-4583  
Telecopy" 605-773-4068

(b) Unless otherwise designated in writing by any party to the other parties hereto, wire transfers and instructions shall be made as follows:

If to INC:

For Cash:

The Chase Manhattan Bank, N.A.  
ABA#: 021000021  
A\C = 900-9-002206  
BBK = Chase Manhattan Bank, N.A.  
A/C: #89922280  
BNF: MBIA Inc.

For Securities:

Chase NYC/TRUST  
ABA #: 021000021  
Reference #: 89922280  
MBIA Inc.

If to the Trustee:

For Cash:

The First National Bank  
ABA # 091400020  
For further credit Account #: 1093392  
Attention: Corporate Trust

8.11 Securities Act of 1933

NEITHER THIS AGREEMENT NOR THE ATTACHED POLICY HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES OR BLUE SKY LAWS AND NO SUCH REGISTRATION WILL BE UNDERTAKEN. CONSEQUENTLY, THIS AGREEMENT AND THE POLICY MAY NOT BE RESOLD, TRANSFERRED OR ASSIGNED, EXCEPT AS PERMITTED HEREUNDER, AND THEN ONLY IF REGISTERED PURSUANT TO SUCH SECURITIES ACT AND BLUE SKY LAWS OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE. UNLESS SUCH RESALE, TRANSFER OR ASSIGNMENT IS UNDERTAKEN IN CONNECTION WITH THE TRANSFER HEREOF TO A SUCCESSOR TRUSTEE UNDER THE INDENTURE OR AN ASSIGNMENT HEREOF TO THE INSURER UPON A PAYMENT BY THE INSURER UNDER THE POLICY, THE TRUSTEE ON BEHALF OF THE ISSUER AFFIRMS THAT THIS AGREEMENT AND THE POLICY ARE BEING ACQUIRED FOR RETIREMENT AND NOT WITH AN INTENT TO MAKE A PUBLIC DISTRIBUTION THEREOF.

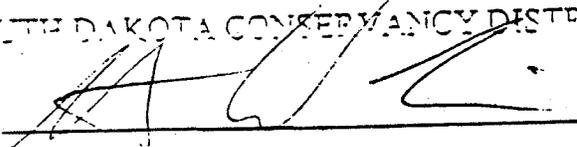
IN WITNESS WHEREOF, each of the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

MPIA INC.

By: \_\_\_\_\_

Title: Vice President

SOUTH DAKOTA CONSERVANCY DISTRICT

By: 

Title: Chairman

THE FIRST NATIONAL BANK IN SIOUX FALLS

By: \_\_\_\_\_

Title: Vice President and Trust Officer

8.11 Securities Act of 1933.

NEITHER THIS AGREEMENT NOR THE ATTACHED POLICY HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES OR BLUE SKY LAWS AND NO SUCH REGISTRATION WILL BE UNDERTAKEN. CONSEQUENTLY, THIS AGREEMENT AND THE POLICY MAY NOT BE RESOLD, TRANSFERRED OR ASSIGNED, EXCEPT AS PERMITTED HEREUNDER AND THEN ONLY IF REGISTERED PURSUANT TO SUCH SECURITIES ACT AND BLUE SKY LAWS OR IF AN EXEMPTION FROM REGISTRATION IS AVAILABLE, UNLESS SUCH RESALE, TRANSFER OR ASSIGNMENT IS UNDERTAKEN IN CONNECTION WITH THE TRANSFER HEREOF TO A SUCCESSOR TRUSTEE UNDER THE INDENTURE OR AN ASSIGNMENT HEREOF TO THE INSURER UPON A PAYMENT BY THE INSURER UNDER THE POLICY. THE TRUSTEE ON BEHALF OF THE ISSUER AFFIRMS THAT THIS AGREEMENT AND THE POLICY ARE BEING ACQUIRED FOR INVESTMENT AND NOT WITH AN INTENT TO MAKE A PUBLIC DISTRIBUTION THEREOF.

IN WITNESS WHEREOF, each of the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

MBIA INC.

By: Andrew Cheng  
Title: Vice President

SOUTH DAKOTA CONSERVANCY DISTRICT

By: [Signature]  
Title: Chairman

THE FIRST NATIONAL BANK IN SIOUX FALLS

By: J. Bert Olson  
Title: Vice President and Trust Officer



EXHIBIT A  
INVESTMENT AGREEMENT  
FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation  
Armonk, New York 10504

SECTION

Policy No. INC-0122

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees to First National Bank in Sioux Falls (the "Trustee"), or its successor, the full and complete payment required to be made by MBIA Inc. (the "Obligor") of an amount equal to (i) amounts due under the Investment Agreement dated December 19, 1996 among the Obligor, the Trustee and South Dakota Conservancy District (the "Issuer") (the "Agreement") as such payments shall become due but shall not be so paid; and (ii) the reimbursement of any such payment which is subsequently recovered from the Trustee pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to the Trustee within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts."

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee that the payment of an Insured Amount for which is then due, has not been made, the Insurer on the due date of such payment or within one Business Day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment of any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due under the Agreement as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for the Trustee in any legal proceeding related to payment of Insured Amounts under the Agreement, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to the Trustee payment of the Insured Amounts due under the Agreement.

Subject to the terms of the Agreement, the Insurer shall be subrogated to the rights of the Trustee to receive payment under the Agreement to the extent of any payment by the Insurer hereunder.

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

# MBIA

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

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason.

"Business Day" means any day which is not a Saturday or Sunday or a day on which commercial banks in the State of New York or the Trustee are authorized or required by law to be closed.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this 19th day of December 1996.

MBIA Insurance Corporation

*Richard Weil*

\_\_\_\_\_  
President

*[Signature]*

\_\_\_\_\_  
Assistant Secretary

Attest:

EXHIBIT B

**FORM OF WITHDRAWAL NOTIFICATION**

MBIA Inc.  
c/o MBIA Investment Management Corp.  
113 King Street  
Armonk, NY 10504  
Attention: IA Administrator  
Re: SD Conservancy SRF 96A/INC 123

Reference is made to the **Investment Agreement** (the "Agreement") dated as of December 19, 1996 among MBIA Inc. ("INC"), The First National Bank in Sioux Falls (the "Trustee") and South Dakota Conservancy District (the "Issuer"). Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement.

The undersigned, a duly authorized officer of the Trustee, hereby requests a Withdrawal from the [Series 1996A Revenue Account] [Series 1996A Special Reserve Account] [ Series 1996A State Match Bond Account] [ Series 1996A State Match Loan Account] [Series 1996A Federally Capitalized Loan Account], as follows:

Request Date: \_\_\_\_\_ (by 12:00 p.m. New York Time)  
Withdrawal Date: \_\_\_\_\_ (at least two (2) Business Days after request date, or one (1) Business Day for payment of debt service on the Bonds)

Withdrawal Amount Requested: \$ \_\_\_\_\_

In making this Withdrawal request, the Trustee certifies the following:

(1) The Withdrawal is being made in accordance with a permitted use of such Funds pursuant to the Indenture and Section 2.2 of the Agreement, and the Withdrawal is *not* being made for the purpose of reinvestment or to replace the Amounts Invested in the Fund with an alternative credit facility, including but not limited to a surety bond or a letter of credit.

(2) If the amount being requested above is greater than the Available Amounts Invested, INC is authorized to amend the amount requested to be equal to the Available Amounts Invested as of the Withdrawal Date above.

(3) The Withdrawal Date above [is] [is not] the Agreement Termination Date.

IN WITNESS WHEREOF, the Trustee has executed and delivered this notice as of the request date written above.

The First National Bank in Sioux Falls, as Trustee

By: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT C

FORM OF DELIVERY NOTIFICATION

MBIA Inc.  
c/o MBIA Investment Management Corp.  
113 King Street  
Armonk, NY 10504  
Attention: IA Administrator  
Re: SD Conservancy SRF 96A/INC 123

Reference is made to the **Investment Agreement** (the "Agreement") dated as of December 19, 1996 among MBIA Inc. ("INC"), The First National Bank in Sioux Falls (the "Trustee") and South Dakota Conservancy District (the "Issuer"). Any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement.

The undersigned, a duly authorized officer of the Trustee, hereby advises that funds will be delivered to the [Series 1996A Revenue Account Fund][Series 1996A Special Reserve Account] [Series 1996A Federally Capitalized Loan Account], as follows:

Delivery Date: \_\_\_\_\_ (by 11:00 a.m. New York Time) (at least 2 Business Days after the date of this notice)

Amount to be Delivered: \$ \_\_\_\_\_

The Trustee certifies that the delivery of funds is being made in accordance with a permitted deposit into such Fund pursuant to the Indenture and Section 2.1 of the Agreement.

IN WITNESS WHEREOF, the Trustee has executed and delivered this notice as of \_\_\_\_\_, 19\_\_.

The First National Bank in Sioux Falls, as Trustee

By: \_\_\_\_\_

Title: \_\_\_\_\_