

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

**SERIES RESOLUTION #2004-53 AUTHORIZING**

**STATE REVOLVING FUND REVENUE BONDS  
SERIES 2004**

**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 hereinafter 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 hereinafter defined, the District has established a state revolving fund program (the "Drinking Water Program"); and

**WHEREAS**, the Board of Water and Natural Resources has heretofore determined it necessary and expedient to enter into a Master Trust Indenture dated January 1, 1994 (as now amended or supplemented, the "Original Clean Water Indenture") with The First National Bank in Sioux Falls, as Trustee (the "Clean Water Trustee"); and

**WHEREAS**, the Board of Water and Natural Resources has heretofore determined it necessary and expedient to enter into a Master Trust Indenture dated as of June 1, 1998 (as now amended or supplemented, the "Original Drinking Water Indenture") with The First National Bank in Sioux Falls, as Trustee (the "Drinking Water Trustee"); and

**WHEREAS**, pursuant to the Act, the District is authorized to issue bonds and to make loans to borrowers of the State of South Dakota 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 presently 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 §46A-1-60.1, SDCL, the State has heretofore provided that program subfunds (each, a "Program Subfund" and collectively, the "Program Subfunds") be created within the water and environment fund established pursuant to §46A-1-60; SDCL, 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 §46A-1-31, SDCL, 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 §46A-1-39, SDCL, and

**WHEREAS**, §46A-1-60.2, SDCL, 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 §46A-1-65, SDCL, and the provisions of §§46A-1-60 to §46A-1-60.3, SDCL, inclusive and §46A-1-60.1, SDCL, provides that money in the Program Subfunds may be used only for purposes authorized under federal law; and

**WHEREAS**, pursuant to the Original Clean Water Indenture, the District has heretofore issued and as of June 1, 2004 there are currently outstanding various series of bonds which are identified on Exhibit A to the Master Trust Indenture (hereinafter defined) in the principal amount of \$18,730,000 (the “Existing Clean Water Bonds”); and

**WHEREAS**, pursuant to that certain Original Drinking Water Indenture, the District has heretofore issued and as of June 1, 2004 there are currently outstanding various series of bonds which are identified on Exhibit A to the Master Trust Indenture (hereinafter defined) in the principal amount of \$10,675,000 (the “Existing Drinking Water Bonds”); and

**WHEREAS**, pursuant to the Original Clean Water Indenture and Original Drinking Water Indenture (the “Original Indentures”), the District has made various loans to borrowers and pledged the repayments to be received by such borrowers and certain other funds and accounts to secure, on a separate and distinct basis, the Existing Clean Water Bonds and the Existing Drinking Water Bonds (the “Existing Bonds”); and

**WHEREAS**, the District has determined that it is desirable to finance the Programs under a common indenture such that, while the bonds issued under the Clean Water Program are to be payable primarily from the Clean Water Program Subfund and the bonds issued under the Drinking Water Program are to be payable primarily from the Drinking Water Program Subfund, certain excess revenues of each Program are to be available on a subordinate basis to the other Program to the extent necessary to meet deficiencies; and

**WHEREAS**, the District has determined that in order to accomplish such consolidation it is necessary and appropriate to amend and restate the Original Indentures into a single, consolidated Amended and Restated Master Trust Indenture (as hereafter amended or supplemented, the “Master Trust Indenture”) so as to pledge additional property as security for Bonds issued and outstanding thereunder, add covenants and agreements for the benefit of Bondholders, provide for the issuance of additional Bonds and provide for the other matters set forth therein, and simultaneously with the amendment and restatement of the Original Indentures, the District will obtain the consent of the requisite percentages of holders of bonds issued under each of the Original Indentures, as amended and restated, and the consent of Ambac

Assurance Corporation (“Ambac”) so that the Trustee shall be entitled to exercise its unrestricted discretion in determining to enter into the Master Trust Indenture; and

**WHEREAS**, capitalized terms used but not defined herein shall have the meanings given thereto in 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 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

**WHEREAS**, the Master Trust Indenture authorizes the issuance of Bonds in one or more Series, each pursuant to a Series Resolution authorizing such Series; 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 at this time a Series of Bonds to be designated “South Dakota State Revolving Fund Revenue Bonds, Series 2004” (the “Series 2004 Bonds”), which Series 2004 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 Account) to lend to Borrowers from time to time as the District shall determine and to refund and defease certain Existing Bonds; 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 Program 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**, there have been presented to the Board of Water and Natural Resources, acting as the South Dakota Conservancy District, drafts or final versions of the following documents:

- (i) A draft Master Trust Indenture;
- (ii) A draft Bond Purchase Agreement (the “Bond Purchase Agreement”) between the District and UBS Financial Services Inc. (the “Representative”) on behalf of itself and various underwriters (collectively, the “Underwriters”);

- (iii) A draft Preliminary Official Statement dated June 21, 2004 (the “Preliminary Official Statement”);
- (iv) Drafts of Escrow Agreements (the “Escrow Agreements”) between the District and The First National Bank in Sioux Falls, as Escrow Agent (the “Escrow Agent”);
- (v) A draft form of bid specifications (“Specifications”) regarding the bids for investments (“Investment Bids”) under the Master Trust Indenture (the “Indenture Investments”); and
- (vi) A draft report which demonstrates satisfaction of the requirements of Section 2.11(b) and (c) of each Original 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

### Authority and Definitions

Section 1.01 Series Resolution. This Series Resolution is adopted in accordance with the provisions of Sections 2.01 and 2.03 of each Original Indenture and 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 2004 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 or in the Act, as applicable, shall have the same meanings, respectively, in this Series Resolution and with respect to the Series 2004 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 2004 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.

“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 2004 Bonds, including persons holding Series 2004 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 2004 Bonds as shall be agreed to in the Bond Purchase Agreement.

“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 2004 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.

“Escrow Accounts” shall mean the accounts by such name created for the benefit of the Refunded Bonds under the Escrow Agreement.

“First Call Date” means the first date on which a Series 2004 Bond may be optionally redeemed as described in the Bond Order.

“Leveraged Portion” shall have the meaning given thereto in Section 3.01 hereof.

“Refunded Bonds” means all of the \$5,695,000 outstanding Series 1994 and \$5,580,000 Series 1995 Clean Water Bonds and all of the \$2,070,000 Series 1996 Clean Water Bonds except approximately \$100,000 principal amount maturing on August 1, 2017, (the precise amount of the bonds which will not be refunded to be established by the Bond Order).

“Series 1994 (Refunded) Clean Water Restricted Principal Repayments Subaccount” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 1994 (Refunded) Clean Water State Match Bond Subaccount” shall mean the account or subaccount established with respect to the Refunded Bonds issued in 1994 for the Clean Water Program.

“Series 1994 Clean Water State Match Reserve Subaccount” shall mean the account or subaccount established with respect to the Refunded Bonds issued for the Clean Water Program in 1994.

“Series 1994 (Refunded) Clean Water Unrestricted Interest Repayments Subaccount” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 1995 (Refunded) Clean Water Leveraged Bond Subaccount” shall mean the account or subaccount established with respect to the Refunded Bonds which were Leveraged Bonds issued in 1995 for the Clean Water Program.

“Series 1995 (Refunded) Clean Water Restricted Principal Repayments Subaccount” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 1995 (Refunded) Clean Water State Match Bond Subaccount” shall mean the account or subaccount established with respect to the Refunded Bonds which were State Match Bonds issued in 1995 for the Clean Water Program.

“Series 1995 Clean Water State Match Reserve Subaccount” shall mean the account or subaccount established with respect to the Refunded Bonds issued for the Clean Water Program in 1995.

“Series 1995 (Refunded) Clean Water Unrestricted Interest Repayments Subaccount” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 1996 (Refunded) Clean Water State Match Bond Subaccount” shall mean the account or subaccount established with respect to the Refunded Bonds issued in 1996 for the Clean Water Program.

“Series 1996 Clean Water State Match Reserve Subaccount” shall mean the account or subaccount established with respect to the Refunded Bonds issued for the Clean Water Program in 1996.

“Series 1996 (Refunded) Clean Water Restricted Principal Repayments Subaccount” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 1996 (Refunded) Clean Water Unrestricted Interest Repayments Subaccount” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 1996/2001 Clean Water State Match Reserve Account” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Reserve Fund.

“Series 1998 Drinking Water State Match Reserve Subaccount” shall mean the account or subaccount established with respect to the Bonds issued for the Drinking Water Program in 1998.

“Series 1998/2001 Drinking Water State Match Reserve Account” shall mean the subaccount established pursuant to Section 3.01 hereof within the Clean Water Reserve Fund.

“Series 2001 Clean Water State Match Reserve Subaccount” shall mean the account or subaccount established with respect to the Bonds issued in 2001 with respect to the Clean Water Program.

“Series 2001 Drinking Water State Match Reserve Subaccount” shall mean the account or subaccount established with respect to the Bonds issued for the Drinking Water Program in 2001.

“Series 2004 Clean Water Restricted Principal Repayments Account” shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 2004 Clean Water State Administration Account” shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Administration Fund.

“Series 2004 Clean Water Unrestricted Interest Repayments Account” shall mean the account established pursuant to Section 3.01 hereof within the Clean Water Revenue Fund.

“Series 2004 Drinking Water Leveraged Bond Account” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Bond Fund.

“Series 2004 Drinking Water Leveraged Loan Account” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Loan Fund.

“Series 2004 Drinking Water Restricted Principal Repayments Loan Account” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Revenue Fund.

“Series 2004 Drinking Water State Administration Account” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Administration Fund.

“Series 2004 Drinking Water State Match Bond Account” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Bond Fund.

“Series 2004 Drinking Water State Match Loan Account” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Loan Fund.

“Series 2004 Drinking Water Unrestricted Interest Repayments Loan Account” shall mean the account established pursuant to Section 3.01 hereof within the Drinking Water Revenue Fund.

“State Match Portion” shall have the meaning given thereto in Section 3.01 hereof.

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 Original Indentures and 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 2004 Bonds

Section 2.01 Authorization of Series 2004 Bonds. Pursuant to the Master Trust Indenture, a Series of State Revolving Fund Revenue Bonds to be designated as the “Series 2004 Bonds” is hereby created and authorized to be issued in the aggregate original stated principal amount of not to exceed \$45,000,000.

Section 2.02 Purposes. The Series 2004 Bonds are being issued to refund the Refunded Bonds and 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 2004 Bonds shall be initially dated as provided in the Bond Order and, thereafter, Series 2004 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 2004 Bonds shall bear interest from their dated date payable semiannually on February 1 and August 1 in each year, commencing February 1, 2005.

The Series 2004 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, 2026 and the total scheduled principal and interest due in any year (after taking into account any Sinking Fund Installments) shall not exceed \$4,400,000.

Section 2.04 Sinking Fund Installments and Redemption Provisions. Any Series 2004 Bonds which are issued as term bonds (the "Series 2004 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 2004 Term Bonds or portions thereof to be so redeemed, together with accrued interest to the redemption date.

The Series 2004 Bonds maturing on or before the First Call Date shall not be subject to optional redemption prior to their respective maturities. The Series 2004 Bonds maturing 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 2004 Bonds or portions thereof to be redeemed) together with accrued interest to the redemption date as set forth on Exhibit A.

Section 2.05 Reserve Fund Requirements. (a) The Series 2004 Bonds shall not be secured by a pledge of or lien on any amounts on deposit in either Reserve Fund.

(b) The Authorized Officers shall identify the Refunded Bonds in the Bond Order.

(c) The Authorized Officers shall establish the Total Reserve Requirement and the State Match Reserve Requirement for the Existing Bonds in the Bond Order as a result of the refunding and defeasance of the Refunded Bonds.

Section 2.06 Interest Rate Denominations, Numbers and Letters. The Series 2004 Bonds shall bear interest at the rates per annum to be determined by the Authorized Officers in the Bond Order so that neither the weighted average interest rate on the Series 2004 Bonds nor the effective bond yield with respect thereto shall exceed 5% (calculated consistent with Section 148 of the Code). Bonds of each series shall be in an integral multiple of \$5,000 and shall be numbered separately from R-1 consecutively upwards in order of issuance.

Section 2.07 Amended and Restated Indenture; Escrow Agreement.

(a) The amendment and restatement of the Original Indentures by the execution and delivery of the Master Trust Indenture in substantially the form presented at this meeting is hereby approved and is hereby authorized subject to the receipt of the requisite consents described in the preambles to this resolution. Such final Master Trust Indenture shall have such changes, omissions, insertions and revisions as the Authorized Officers executing the Master Trust Indenture shall deem advisable. The Master Trust Indenture shall be executed and delivered by two Authorized Officers.

(b) The refunding of the Refunded Bonds is hereby authorized and approved and the form of the Escrow Agreement as presented to this meeting is hereby approved. The execution and delivery of the Escrow Agreement in substantially the form previously used by the District in prior refundings is hereby authorized (the "Escrow Agreement"). The Escrow Agreement with such changes, omissions, insertions and revisions as the Authorized Officers executing the Escrow Agreement shall be executed and delivered by two Authorized Officers.

Section 2.08 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 2004 Bonds, satisfying the conditions of Section 2.11(b) and (c) of the Original Indentures.

Section 2.09 Sale of Series 2004 Bonds; Execution of Bond Purchase Agreement. The Series 2004 Bonds shall be sold to the Underwriters 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 97% nor more than 107% of the par amount of the Series 2004 Bonds and the underwriter's discount (disregarding for such purposes any net original issue premium or discount) shall not exceed 0.60% of the par amount of Series 2004 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 2.10 Official Statement. The Preliminary Official Statement of the District in respect of the Series 2004 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 2004 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 2.11 Authorization of Specifications. The Authorized Officers are hereby authorized and directed to circulate the specifications, in consultation with Bond Counsel, the Trustee and the Underwriter, and obtain bids thereon.

Section 2.12 Investment Bid Specifications. The highest yielding bid from the list of qualified bidders for the Indenture Investments shall be approved by the Chairman and Secretary and each such officer is hereby authorized (provided only one signature shall be sufficient) to accept such bid and to execute the necessary investment contracts and other agreements as shall be necessary or appropriate, upon the advice of counsel, to effectuate same, provided, however, in the event that an investment contract satisfactory to the officer executing same, upon advice of counsel, cannot be entered into as of the date of delivery of the Series 2004 Bonds, such officer shall be authorized on behalf of the District to enter into an investment contract for the Indenture Investments with the next highest yielding Investment Bid for which such an investment contract can be entered into.

Section 2.13 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 Indenture for the purpose of maximizing the State Match under the Program or to provide for flexibility for the Programs including, without limitation, payment of administrative expenses and the avoidance or reduction of arbitrage rebate expenses. 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 2.14 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 all such 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, are necessary to preserve the tax exempt status of the Series 2004 Bonds, including a form of Tax Exemption Agreement and Certificate 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 2004 Bonds; Determination of State Match Portion, Leveraged Portion and Allocable Portions

##### Section 3.01 Establishment of Series 2004 Accounts.

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

1. The Series 2004 Drinking Water State Match Loan Account; and
2. The Series 2004 Drinking Water Leveraged 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 2004 Clean Water Unrestricted Interest Repayments Account and within such Account, three Clean Water Unrestricted Interest Repayments Subaccounts to be designated with the following series designations: "Series 1994 (Refunded)", "Series 1995 (Refunded)" and the "Series 1996 (Refunded)" and (B) a Series 2004 Clean Water Restricted Principal Repayments Account and within such Account three Clean Water Restricted Principal Repayments Subaccounts to be designated with the following series designations: "Series 1994 (Refunded)", "Series 1995 (Refunded)" and "Series 1996 (Refunded)"; and
2. In the Drinking Water Revenue Fund, the Series 2004 Drinking Water Unrestricted Interest Repayments Account and the Series 2004 Drinking Water Restricted Principal Repayments Account.

(c) There is hereby established within the Reserve 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. The Series 1996/2001 State Match Reserve Account of the Clean Water Reserve Fund which shall include the Series 1996 State Match Reserve Subaccount and Series 2001 State Match Reserve Subaccount; and
2. The Series 1998/2001 State Match Reserve Account of the Drinking Water Reserve Fund which shall include the Series 1998 State Match Reserve Subaccount and the Series 2001 State Match Reserve Subaccount.

(d) 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 2004 Clean Water State Administration Account; and
2. In the Drinking Water Administration Fund, a Series 2004 Drinking Water State Administration Account.

(e) 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 Series 2004 Leveraged Bond Account which shall contain the Series 1995 (Refunded) Clean Water Leveraged Bond Subaccount and a Series 2004 State Match Bond Account which shall contain the Series 1994 (Refunded) State Match Bond Subaccount, the Series 1995 (Refunded) State Match Bond Subaccount and the Series 1996 (Refunded) State Match Bond Subaccount. All of the Allocable Portion of the State Match Portion and Leveraged Portion of the Series 2004 Bonds shall be payable out of the Accounts and Subaccounts described in this paragraph in such proportion as is established by the Bond Order pursuant to the provisions of the Master Trust Indenture.

2. In the Drinking Water Bond Fund, a Series 2004 Leveraged Bond Account and a Series 2004 State Match Account. The Allocable Portion of the Leveraged Portion and the State Match Portion of the Series 2004 Bonds shall be payable out of the Accounts described in this paragraph in such proportion as is established by the Bond Order 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 2004 Bonds for the Clean Water Program shall be determined by the Authorized Officers in the Bond Order (the “2004 Clean Water Allocable Portion”) in the manner required by the Master Trust Indenture.

(b) The Allocable Portion of the Series 2004 Bonds for the Drinking Water Program shall be determined by the Authorized Officers in the Bond Order (the “2004 Drinking Water Allocable Portion”) in the manner required by the Master Trust Indenture.

(c) The State Match Portion of the Series 2004 Bonds shall be determined by the Authorized Officers in the Bond Order (the “2004 State Match Portion”) in the manner required by the Master Trust Indenture.

(d) The Leveraged Portion for the Series 2004 Bonds shall be determined by the Authorized Officers in the Bond Order (the “2004 Leveraged Portion”) in the manner required by the Master Trust Indenture.

Section 3.03 Application of Proceeds of the 2004 Clean Water Allocable Portion. The proceeds of the 2004 Clean Water Allocable Portion of Series 2004 Bonds and any necessary transfers of funds from existing funds, accounts and subaccounts under the Clean Water Indenture shall be deposited in the amounts and to the credit of the Funds, Accounts and Subaccounts established under the Escrow Agreement, hereunder and under the Master Trust Indenture as determined by the Authorized Officers in the Bond Order as follows:

(a) From the existing deposits in the Clean Water Reserve Fund, there shall be transferred from the Series 1994, Series 1995, Series 1996 and Series 2001 Clean Water State Match Reserve Subaccounts to the Series 1996/2001 Clean Water State Match Reserve Account an amount to be determined in the Bond Order to be sufficient to satisfy the State Match Reserve Requirement under the Master Trust Indenture for the Existing Bonds issued for the Clean Water

Program in 1996 and 2001 to the extent such Bonds will continue to be Outstanding following the refunding of the Refunded Bonds and the Trustee shall maintain adequate records so as to allocate such amounts proportionately to the investment agreements which relate to the Bonds issued to fund deposits therein;

(b) From the remaining amounts on deposit in the Series 1994, Series 1995, Series 1996 and Series 2001 Clean Water State Match Reserve Subaccounts and the Series 1995 Clean Water Restricted Reserve Subaccount together with such proceeds from the Series 2004 Bonds as are necessary, an amount to be determined in the Bond Order as sufficient to fully defease or pay the Refunded Bonds shall be deposited into the Escrow Accounts under the Escrow Agreements;

(c) An amount sufficient to pay the costs of issuance of the Series 2004 Bonds, to the extent payable by the District pursuant to the Bond Purchase Agreement, shall be deposited in the 2004 Clean Water State Administration Account; and

(d) Any remaining proceeds of the 2004 Clean Water Allocable Portion of Series 2004 Bonds shall be deposited as provided in the Bond Order.

Section 3.04 Application of Proceeds of the 2004 Drinking Water Allocable Portion. The proceeds of the 2004 Drinking Water Allocable Portion of Series 2004 Bonds shall be deposited in the in the amounts and to the credit of the Funds, Accounts and Subaccounts established hereunder and under the Master Trust Indenture as determined by the Authorized Officers in the Bond Order as follows:

(a) The amounts on deposit in the Series 1998 and Series 2001 Drinking Water State Match Reserve Subaccounts shall be consolidated into the Series 1998/2001 Drinking Water State Match Reserve Account and the Trustee shall maintain adequate records so as to allocate such amounts proportionately to the investment agreements which relate to the Bonds issued to fund deposits therein;

(b) An amount sufficient to provide State Match for fiscal years 2005 and 2006 shall be deposited in the Series 2004 Drinking Water State Match Loan Account;

(c) An amount sufficient to pay the costs of issuance of the Series 2004 Bonds, to the extent payable by the District pursuant to the Bond Purchase Agreement, shall be deposited in the 2004 Drinking Water State Administration Account; and

(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 2004 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 2004 Drinking Water Leveraged Loan Account and the Series 2004 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 2004 Drinking Water Leveraged Loan Bond Account and the Series 2004 Drinking Water

State Match Bond Account prior to the application of any other amounts to such Accounts from the Series 2004 Drinking Water Restricted Principal Repayments Account or the Series 2004 Drinking Water Unrestricted Interest Repayments Account.

(b) Amounts allocable to the Refunded Bonds, whether now on deposit or hereafter received for deposit, shall be deposited in the applicable Accounts and Subaccounts within the Clean Water Revenue Fund, Bond Fund, Loan Fund and Reserve Funds established in connection with each series of Refunded Bonds (Series 1994, Series 1995 and Series 1996) and shall continue to be subject to any investment agreement applicable to the proceeds of any such series of Refunded Bonds so long as such agreements shall remain in effect and applicable thereto.

(c) Notwithstanding the transfer of amounts from the State Match Reserve Accounts or Subaccounts established in connection with the Refunded Bonds and the consolidation and re-designation of such accounts and subaccounts into the Series 1996/2001 Clean Water State Match Reserve Account, any amounts which are on deposit in such consolidated and redesignated accounts or subaccounts shall continue to be invested in the investment agreement allocable to the Clean Water State Match Bonds issued in 1996 and 2001 in such proportion as shall be deemed reasonable and appropriate by the Trustee based on all facts and circumstances, including the source of funds on deposit therein and any relevant provisions of such investment agreements.

(d) Notwithstanding the transfer of amounts from the State Match Reserve Accounts or Subaccounts established in connection with the consolidation and re-designation of accounts and subaccounts into the Series 1998/2001 Drinking Water State Match Reserve Account, any amounts which are on deposit in such consolidated and redesignated subaccount shall continue to be invested in the investment agreement allocable to the Drinking Water State Match Bonds issued in 1998 and 2001 in such proportion as shall be deemed reasonable and appropriate by the Trustee based on all facts and circumstances, including the source of funds on deposit therein and any relevant provisions of such investment agreements.

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 2004 Bonds

Section 4.01 Form of Series 2004 Bonds. The Series 2004 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 A 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 2004 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 this Section shall take precedence over the provisions hereof or the Master Trust Indenture to the extent they are inconsistent therewith.

(a) The Depository Trust Company ("DTC") has agreed to act as securities depository for the Series 2004 Bonds, and to provide a Book-Entry Only System for registering the ownership interests of the financial institutions for which it holds the Series 2004 Bonds (the "DTC participants"), and for distributing to such DTC Participants such amount of the principal and interest payments on the Series 2004 Bonds as they are entitled to receive, for redistribution to the beneficial owners of the Series 2004 Bonds as reflected in their records (the "Beneficial Owners").

(b) Initially, and so long as DTC or another qualified entity continues to act as securities depository, the Series 2004 Bonds shall be issued in typewritten form, one for each maturity in a principal amount equal to the aggregate principal amount of each maturity, shall be registered in the name of the securities depository or its nominee, and shall be subject to the provisions of this Section. While DTC is acting as the securities depository, the Series 2004 Bonds shall be registered in the name of DTC's nominee, CEDE & CO; provided that upon delivery by DTC to the District and the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Resolution shall refer to such new nominee of DTC.

With respect to Series 2004 Bonds registered in the name of a securities depository or its nominee, the District and the Trustee shall have no responsibility or obligation to any DTC Participant or other person with respect to the following: (i) the accuracy of the records of any securities depository or its nominee with respect to any ownership interest in the Series 2004 Bonds, (ii) the delivery to any DTC Participant or other person or any other person, other than DTC, of any notice with respect to the Series 2004 Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than DTC, of any amount with respect to the principal of or interest on the Series 2004 Bonds. The Trustee shall pay all principal of and interest on the Series 2004 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal and interest on the Series 2004 Bonds to the extent of the

sum or sums so paid. So long as the Book-Entry Only System described in this Section is in effect, no person other than DTC shall receive an authenticated Bond.

(c) Upon receipt by the District and the Trustee of written notice from the securities depository to the effect that it is unable or unwilling to discharge its responsibilities under the Book-Entry Only System, the Trustee shall issue, transfer and exchange Series 2004 Bonds of the initial series as requested by the securities depository in appropriate amounts, and whenever the securities depository requests the District and the Trustee to do so, the District and the Trustee shall cooperate with the securities depository in taking appropriate action after reasonable notice (i) to arrange for a substitute depository willing and able, upon reasonable and customary terms, to maintain custody of the Series 2004 Bonds, or (ii) to make available Series 2004 Bonds registered in whatever name or names the Beneficial Owner registering ownership, transferring or exchanging such Series 2004 Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(d) In the event the District determines that it is in the best interests of the Beneficial Owners that they be able to obtain printed Series 2004 Bonds, the District may so notify the securities depository and the Trustee, whereupon the securities depository shall notify the Beneficial Owners of the availability through the securities depository of such printed Series 2004 Bonds. In such event, the District shall cause to be prepared and the Trustee shall issue, transfer and exchange printed Series 2004 Bonds, fully executed and authenticated, as requested by the securities depository in appropriate amounts and, whenever the securities depository requests, the District and the Trustee shall cooperate with the securities depository in taking appropriate action after reasonable notice to make available printed Series 2004 Bonds registered on the Bond Register in whatever name or names the Beneficial Owners entitled to receive Series 2004 Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(e) Notwithstanding any other provisions of this Resolution to the contrary, so long as any Series 2004 Bond is registered in the name of a securities depository or its nominee, all payments of principal and interest on the Series 2004 Bond and all notices with respect to the Series 2004 Bond shall be made and given, respectively, to the securities depository as provided in the representation letter heretofore given to it by the District.

(f) In the event that the Book-Entry Only System established pursuant to this Section is discontinued, except as provided in clause (g), the Series 2004 Bonds shall be issued through the securities depository to the Beneficial Owners.

(g) In the event of termination of the Book-Entry Only System, the District shall have the right to terminate, and shall take all steps necessary to terminate, all arrangements with the securities depository described herein, and thereafter shall issue, register ownership of, transfer and exchange all Series 2004 Bonds as provided in Article II of the Master Trust Indenture. Upon receipt by the securities depository of notice from the District, the securities depository shall take all actions necessary to assist the District and the Trustee in terminating all arrangements for the issuance of documents evidencing ownership interests in the Series 2004 Bonds through the securities depository. Nothing herein shall affect the securities depository's rights under clause (e) above.

## 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 2004 Bonds that so long as any Series 2004 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 2004 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 2004 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 2004 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 2004 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.

Adopted: June 25, 2004.

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

Attest:

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Its Secretary