

NEW ISSUE

RATINGS: Moody's: MG-1  
S & P: SP-1+

*In the opinion of Perkins Coie LLP, Bond Counsel, subject to compliance with certain covenants made by the District and the Borrowers to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, under present law, interest on the Series 2010 Bond Anticipation Notes is excludable from gross income of the owners thereof for federal income tax purposes and will not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See the caption "TAX EXEMPTION" herein regarding a description of other tax considerations.*

**\$54,330,000**  
**SOUTH DAKOTA CONSERVANCY DISTRICT**  
**State Revolving Fund Program Bond Anticipation Notes**  
**Series 2010**

**Dated:** Date of delivery

**Due:** September 30, 2011

The State Revolving Fund Program Bond Anticipation Notes, Series 2010 (the "Series 2010 Bond Anticipation Notes") offered hereby are being issued pursuant to Chapters 46A-1 and 46A-2, South Dakota Codified Laws, as amended (the "Act"), the Master Indenture (as defined herein) by and between the South Dakota Conservancy District (the "District") and The First National Bank in Sioux Falls, as Trustee (the "Trustee") and a Series Resolution adopted by the South Dakota Board of Water and Natural Resources (the "Board").

The Series 2010 Bond Anticipation Notes will be issued in fully registered form in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and will be registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York, which will act as securities depository for the Series 2010 Bond Anticipation Notes. Noteholders will not receive certificates representing their ownership interest in the Series 2010 Bond Anticipation Notes purchased. See "**DESCRIPTION OF SERIES 2010 BOND ANTICIPATION NOTES – Book-Entry-Only System.**" The Series 2010 Bond Anticipation Notes shall bear interest at the rate per annum shown in the inside cover payable on the maturity date.

**The Series 2010 Bond Anticipation Notes ARE NOT subject to redemption prior to maturity.**

Payments of the principal of and interest on the Series 2010 Bond Anticipation Notes will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Series 2010 Bond Anticipation Notes as described herein.

Proceeds of the Series 2010 Bond Anticipation Notes, together with other available funds, will be used by the District to pay the redemption price of the District's \$55,000,000 State Revolving Fund Program Bond Anticipation Notes, Series 2009 (the "Series 2009 Notes") which are due on September 10, 2010. The Series 2009 Notes were issued to finance the making of loans to certain political subdivisions of the State of South Dakota and other owners of public water supply systems through the purchase of certain obligations issued by such political subdivisions and other borrowers as described herein and pay issuance costs. The Master Indenture permits each of the District's Clean Water State Revolving Fund and Drinking Water State Revolving Fund to draw upon the resources of the other to the limited extent described herein. The Series 2010 Bond Anticipation Notes are not in any way a debt or liability of the State of South Dakota, the District or any political subdivision of the State, except as described herein.

The Series 2010 Bond Anticipation Notes are special obligations of the District payable solely from specific revenues and funds pledged therefor under the Master Indenture and Series Resolution, such revenues and funds consisting of (a) proceeds of additional Bonds or Notes if, as and when issued under the Master Indenture for the specific purpose of providing funds to pay the Series 2010 Bond Anticipation Notes at maturity and (b) Excess Revenues (as defined in the Master Indenture). The lien on Excess Revenues securing the Series 2010 Bond Anticipation Notes is subordinate to the lien on Revenues which secures all Bonds, including additional Bonds, now or hereafter Outstanding under the Master Indenture.

The Series 2010 Bond Anticipation Notes are offered, when, as and if issued by the District subject to an opinion as to validity and tax exemption by Perkins Coie LLP, Chicago, Illinois, as Bond Counsel, and by the office of the South Dakota Attorney General, as counsel to the District, and certain other conditions. It is anticipated that the Series 2010 Bond Anticipation Notes will be delivered to The Depository Trust Company in New York, New York on or about September 8, 2010.

The date of this Official Statement is August 30, 2010.

**\$54,330,000\***

**State Revolving Fund Program Bond Anticipation Notes, Series 2010**

Maturity Date .....September 30, 2011  
Interest Rate ..... 1.75%  
Yield..... 0.35%  
Approximate Price ..... 101.481%  
CUSIP<sup>±</sup> ..... 837545FZ0

The Series 2010 Bond Anticipation Notes were purchased by J.P. Morgan Securities LLC through a competitive bid process.

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\*Preliminary; subject to change.

<sup>±</sup> Copyright 2003, American Bankers Association. CUSIP date provided herein is assigned by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., an independent company not affiliated with the District, the State or the Underwriters. The District, the State and the Underwriters are not responsible for the selection or uses of the above CUSIP number, and no representation is made as to its correctness. The CUSIP number may be subject to change after the issuance of the Series 2010 Bond Anticipation Notes.

No dealer, broker, salesperson or other person has been authorized by the South Dakota Conservancy District to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the South Dakota Conservancy District.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2010 Bond Anticipation Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the South Dakota Conservancy District since the date thereof.

This Official Statement contains statements which should be considered “forward-looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “expect,” “estimate,” “budget,” “anticipate” or similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

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THE SERIES 2010 BOND ANTICIPATION NOTES ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE MERITS OF THESE SECURITIES HAVE NOT BEEN PASSED UPON BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER FEDERAL OR STATE REGULATORY BODY NOR HAS ANY SUCH BODY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

## OFFICIAL STATEMENT

**\$54,330,000**

### **SOUTH DAKOTA CONSERVANCY DISTRICT State Revolving Fund Program Bond Anticipation Notes Series 2010**

#### INTRODUCTORY STATEMENT

This Official Statement sets forth information concerning the issuance by the South Dakota Conservancy District (the "District") of its State Revolving Fund Program Bond Anticipation Notes, Series 2010 (the "Series 2010 Bond Anticipation Notes"). The Series 2010 Bond Anticipation Notes mature on the date and in the principal amount as set forth on the inside cover of this Official Statement. See "**DESCRIPTION OF THE SERIES 2010 BOND ANTICIPATION NOTES**" herein. The Series 2010 Bond Anticipation Notes are issued pursuant to and secured by a Fifth Amended and Restated Master Trust Indenture dated as of September 1, 2010 as now or hereafter amended or supplemented, the "Master Indenture" or the "Master Trust Indenture"), by and between the District and The First National Bank in Sioux Falls, as Trustee (the "Trustee"). All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Master Indenture.

The Master Indenture implements two programs (the "Clean Water Program" and the "Drinking Water Program" and together the "State Revolving Fund Programs" or "Programs") which provide for revolving loan funds (the "Clean Water SRF" and the "Drinking Water SRF") to make Loans to political subdivisions and other eligible borrowers for sewer, water and other authorized purposes. The Programs are funded by federal capitalization grants, Loan repayments, investment earnings and the proceeds of Bonds issued to provide funds to make Loans (including the State Match necessary to draw down the federal funds).

The Series 2010 Bond Anticipation Notes are issued under the Master Indenture and a Series Resolution adopted by the Board for the purpose of providing funds sufficient to pay the principal amount of the redemption price of the District's \$55,000,000 State Revolving Fund Program Bond Anticipation Notes, Series 2009 (the "Series 2009 Notes") which are due on September 10, 2010. It is anticipated that all accrued interest on the Series 2009 Notes will be paid out of Excess Revenues (as defined herein). The Series 2009 Notes were issued to (i) provide funds for new Loans under the Programs and (ii) to fund certain issuance costs. The Master Indenture also secures certain other outstanding Bonds as described herein (the "Existing Bonds"). The Existing Bonds and any additional Bonds (as defined herein) issued from time to time and outstanding under the Master Indenture are collectively referred to herein as "Bonds."

Bonds, including the Existing Bonds and any additional Bonds issued and Outstanding under the Master Indenture, are secured by a first lien on and pledge of the moneys and investments in the Revenue Fund, Bond Fund and, to the extent provided in the Master Indenture, the Loan Fund and Reserve Fund which the District has created and maintains under the Master Indenture, all as provided with more specificity therein. The Master Indenture provides that Revenues shall be deposited into the Revenue Fund and set aside periodically to provide for the payment of principal and interest with respect to Outstanding Bonds and certain obligations of the District with respect to providers of credit enhancement or liquidity. The Master Indenture also provides that Revenues from either Program shall be used to cross-collateralize Outstanding Bonds of the other Program pursuant to a subordinate loan if and as needed (provided, however, such subordinate loan would have priority over any lien securing any Outstanding Notes with respect to any Excess Revenues on deposit in the Revenue Fund or any account

or subaccount therein for either Program). Following the application of Revenues for such purposes, the remaining available Revenues (as defined with more specificity in the Master Indenture, “Excess Revenues” are pledged to secure notes or other obligations of the District, including the Series 2009 Notes and the Series 2010 Bond Anticipation Notes.

The Series 2010 Bond Anticipation Notes are not “Bonds” within the meaning of such term in the Master Indenture and not secured on a parity with any Bonds. The Series 2010 Bond Anticipation Notes are special obligations of the District payable solely from specific revenues and funds pledged therefor under the Master Indenture and Series Resolution, such revenues and funds consisting of (a) proceeds of additional Bonds or Notes if, as and when issued under the Master Indenture for the specific purpose of providing funds to pay the Series 2010 Bond Anticipation Notes at maturity, (b) Excess Revenues (as defined in the Master Indenture) and (c) if necessary, proceeds as of the maturity date of such Series 2010 Bond Anticipation Notes to the extent such proceeds have not been obligated for the purpose of funding Loans. The lien on Excess Revenues securing the Series 2010 Bond Anticipation Notes is subordinate to the lien on Revenues which secures all Bonds, including additional Bonds, now or hereafter Outstanding under the Master Indenture and is also subordinate to the provisions of the Master Indenture which allow a loan of funds from one Program to provide for payments of principal and interest on Bonds secured by Revenues of the other Program. The Series 2009 Notes, the Series 2010 Bond Anticipation Notes and any other notes or subordinate obligations issued and Outstanding from time to time under the Master Indenture are referred to herein as “Notes.”

As a result of certain federal restrictions on the use of particular funds in the State Revolving Funds, the Master Indenture in effect divides each payment of principal of and interest on Bonds and Notes into a “Clean Water Portion” and a “Drinking Water Portion”. The Master Indenture further subdivides both the Clean Water Portion and the Drinking Water Portion into a State Match Portion and Leveraged Portion. Accordingly, each payment of principal and interest on each series of Bonds and any Notes (including the Series 2010 Bond Anticipation Notes) may have a “Clean Water State Match Portion,” a “Drinking Water State Match Portion,” a “Clean Water Leveraged Portion” and a “Drinking Water Leveraged Portion,” each of which may be payable from separate sources under the Master Indenture. For convenience only, the debt service obligations represented by the Clean Water State Match Portion and the Clean Water Leveraged Portion are sometimes referred to herein as the “Clean Water Bonds” and “Clean Water Notes” and the debt service obligations represented by the Drinking Water State Match Portion and the Drinking Water Leveraged Portion are sometimes referred to herein as the “Drinking Water Bonds” and “Drinking Water Notes.”

Clean Water Bonds and Clean Water Notes are payable solely out of designated funds and accounts within the Clean Water SRF and Drinking Water Bonds and Drinking Water Notes are payable solely out of designated funds and accounts within the Drinking Water SRF; provided, however, in each case, certain Excess Revenues and other amounts on deposit in the other Program Subfund are available pursuant to a subordinated loan provision of the Master Indenture as is explained herein under the caption **“SOURCE OF PAYMENT AND SECURITY – Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF; Limited Cross-Collateralization.”** The Leveraged Portions and the State Match Portions of the debt service on the Bonds and Notes are each payable in accordance with their respective lien priorities (Bonds first, then Notes) solely from certain moneys deposited in specified accounts held by the Trustee under the Master Indenture within each of the Clean Water SRF and the Drinking Water SRF. Generally, interest payments on the Loan Obligations and interest earnings on funds invested under the Master Indenture are available to pay both the State Match Portions and the Leveraged Portions, although in the event such amounts are insufficient, the State Match Portions are to be paid out of such interest payments and earnings prior to the Leveraged Portions. Moneys derived from principal repayments on the Loan Obligations may be used only to pay the Leveraged Portions of debt

service on Bonds and Notes, and no principal repayments on Loan Obligations may be applied to pay the State Match Portions of debt service on Bonds or Notes.

In the case of the Series 2009 Notes, the portions of each payment of principal and interest were divided approximately as follows: Clean Water State Match Portion, 0%; Clean Water Leveraged Portion, 67.3%; Drinking Water State Match Portion, 0%; and Drinking Water Leveraged Portion, 32.7%. These percentages corresponded to the anticipated application of Series 2009 Note proceeds as of August 12, 2009, the date of issuance of the Series 2009 Notes. In connection with the issuance of the Series 2010 Notes, the District anticipates adjusting these percentages so that, taking into account the use of the proceeds of the Series 2009 Notes and the anticipated use of the Series 2010 Notes, the Series 2010 Notes will be allocated 93.6315% Leveraged Portion and 6.3685% State Match Portion and 67.2741% will be allocated to the Clean Water Program and 32.7259% will be allocated to the Drinking Water Program as is further illustrated under “**ESTIMATED SOURCES AND USES OF FUNDS**” herein, but are subject to adjustment as provided in the Master Indenture if the proceeds of Bonds or Notes are transferred from one Loan Account under the Master Indenture to another Loan Account for the purpose of financing Loan Obligations. Such allocations are subject to further refinement to reflect rounding and the fact that bonds and Notes may be issued in increments as small as \$5,000.

The Series 2010 Bond Anticipation Notes are issued under authority of Chapters 46A-1 and 46A-2, South Dakota Codified Laws, as amended (the “State Act”). The Series 2010 Bond Anticipation Notes are payable solely from Excess Revenues and the funds and accounts hereinafter described and are not a debt or liability of the State, the Board, the District or any agency or political subdivision of the State, nor are the Bonds secured by the full faith and credit or taxing powers of the State. See “**SOURCES OF PAYMENT AND SECURITY**,” “**APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE**” and “**THE DISTRICT**” herein.

The District and each Borrower obtaining a Loan under the State Revolving Fund Programs are required to enter into a Loan Agreement (the “Loan Agreement”). The Loan Agreements obligate the District to purchase certain Loan Obligations and obligate the Borrowers to pay certain costs, including an administration fee to the District, and to comply with certain covenants with respect to the Loan Obligations and other matters. See “**SOUTH DAKOTA REVOLVING FUNDS—Loan Agreements**” herein.

## **THE DISTRICT**

The District was created within the State by the State Act for the purpose of planning, developing and managing the use and conservation of the water resources of the State. The District is governed by the Board, which is also the body which sets certain policies for the State Department of Environment and Natural Resources. The members of the Board are appointed by the Governor of the State, and serve for four year terms. Employees of the State Department of Environment and Natural Resources serve as the staff of the District and perform the administrative functions of the District as described under “**SOUTH DAKOTA STATE REVOLVING FUNDS—General**” below. The boundaries of the District coincide in all particulars with the boundaries of the State. The District is a governmental agency and body politic and corporate with authority to exercise the powers specified in the State Act. Among other things, the District develops water resource policy for the State, recommends a State Water Plan and amendments thereto to the Governor and the Legislature and constructs and provides financing to other public and private entities for the construction of water, wastewater and solid waste facilities.

The Department of Environment and Natural Resources provides environmental and natural resources assessment, financial assistance, and regulation in a customer service manner that protects the public health, conserves natural resources, preserves the environment, and promotes economic development. This is accomplished by providing ongoing investigation and assessment of the state’s

environment, ground water, and geology, and by administering state and federal laws that pertain to protecting public health and the environment. The Department consists of two divisions – the Division of Environmental Services and the Division of Financial and Technical Assistance. The Division of Environmental Services is responsible for environmental monitoring and regulatory compliance in the areas of drinking water, ground water, minerals and mining, air quality, wastewater, solid waste, and water rights. The Division of Financial and Technical Assistance is responsible for assessing natural resources and administering financial assistance programs, including the Drinking Water and Clean Water SRF Programs.

Actions of the District concerning notes or bonds are authorized by resolution approved by a majority vote of the members of the Board. The current members of the Board are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Bradley Johnson	Chairman	June 30, 2011
Gene Jones, Jr.	Vice Chairman	June 30, 2013
Don Rounds	Secretary	July 1, 2012
Todd Bernhard	Member	June 30, 2014
Paul Goldhammer	Member	July 1, 2011
Dale Kennedy	Member	July 1, 2011
Paul Gnirk	Member	June 30, 2014

All members of the Board continue to serve until their successors are appointed, notwithstanding expiration of their terms. If a successor is not appointed within 120 days after the expiration of the member’s term, the board member is deemed reappointed for another term.

## **SOUTH DAKOTA STATE REVOLVING FUNDS**

### ***General***

The State of South Dakota has established two revolving loan funds (the “Drinking Water State Revolving Fund” or “Drinking Water SRF” and the “Clean Water State Revolving Fund” or “Clean Water SRF”) pursuant to Section 46A-1-60.1, South Dakota Codified Laws, to be maintained and operated by the District (the “State Revolving Fund Programs” or “Programs”) to provide for Loans to political subdivisions and certain owners of public water supply systems (“Borrowers”). One Program (the “Drinking Water Program”) establishes a Drinking Water State Revolving Fund and provides for Loans for various water system infrastructure improvements, including projects which facilitate compliance with national primary drinking water regulations and certain other activities authorized pursuant to Chapter 6A of the Public Health Service Act, 42 U.S.C. §§ 300f to 300j-26 (commonly known as the Safe Drinking Water Act), as amended, and the regulations thereunder and subsequent amendments and regulations (the “Safe Drinking Water Act”). The other Program (the “Clean Water Program”) establishes a Clean Water State Revolving Fund and provides for Loans for various environmental or infrastructure purposes, including projects or purposes authorized by the Federal Water Pollution Control Act (commonly known as the Clean Water Act), as amended by the Water Quality Act



of 1987, and the regulations thereunder and subsequent amendments and regulations (the “Clean Water Act”) such as for the planning, design, construction and rehabilitation of wastewater treatment facilities and certain other activities in accordance with the Clean Water Act. The Safe Drinking Water Act and the Clean Water Act are referred to herein together as the “Federal Acts”.

Under the Programs, federal capitalization grants (the “Capitalization Grants”) received by the District under the Federal Acts are to be deposited in certain designated accounts under the Master Indenture and used, together with Bond proceeds, Note proceeds and other available funds as described herein, to make Loans to Borrowers or to secure Bonds or Notes. P.L. 111-88, the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010, (the “2010 Act”) appropriated \$10,002,000 for the Clean Water Program and \$13,573,000 for the Drinking Water State Revolving Program. In addition to the appropriations, the bill added several programmatic requirements to the Programs for FFY 2010.

The 2010 Act requires that minimum amounts must be provided as additional subsidization in the form of principal forgiveness, negative interest rates, or grants. At least \$1,497,900 must be provided as additional subsidization under the Clean Water Program, and at least \$4,071,900 in additional subsidization under the Drinking Water Program. The District has determined to apply a principal forgiveness approach to meet these requirements. The principal of such Loan Obligations may be forgiven under certain circumstances as provided by the 2010 Act and related rules promulgated by the South Dakota Board of Water and Natural Resources. Potential Borrowers which meet minimum rate requirements are eligible to be considered for principal forgiveness. Some potential Borrowers may receive 100% principal forgiveness. All funds appropriated through the 2010 Act are subject to State Match requirements.

The Bonds and Notes to be issued from time to time under the Master Indenture are to provide for the State Match requirements described herein under the Federal Acts, to provide funds for additional Loans under the Programs above the amount which could be made solely from the Capitalization Grants, the State Match and Loan repayments and to provide for reserves, capitalized interest and costs of issuance. The Loans will be effected through the purchase of Loan Obligations to be issued by the eligible Borrowers described herein. A description of Loan Obligations previously acquired by the District under the Programs and certain other Program information is set forth in Appendix B hereto. A description of Loan Obligations expected to be acquired by the District under the Programs is set forth in Appendix C hereto.

The District has previously issued under a Master Trust Indenture dated as of January 1, 1994 (the “Prior Clean Water Indenture”) its South Dakota Conservancy District Revenue Bonds in the following principal amounts and with the following series designations: \$10,220,000 principal amount of Series 1994 Bonds, \$7,970,000 principal amount of Series 1995 Bonds, \$2,725,000 principal amount of Series 1996 Bonds and \$4,405,000 principal amount of Series 2001 Bonds (respectively referred to herein as the “Series 1994 Bonds”, “Series 1995 Bonds”, “Series 1996 Bonds” and the “Series 2001 Clean Water Bonds” and collectively as the “Prior Clean Water Bonds”).

The District has previously issued under a Master Trust Indenture dated as of June 1, 1998 (the “Prior Drinking Water Indenture” and, together with the Prior Clean Water Indenture, the “Prior Indentures”) its South Dakota Conservancy District Revenue Bonds in the following principal amounts and with the following series designations: \$6,450,000 principal amount of Series 1998 Bonds and \$2,270,000 principal amount of Series 2001 Bonds (respectively referred to herein as the “Series 1998 Bonds” and the “Series 2001 Drinking Water Bonds” and collectively as the “Prior Drinking Water Bonds”).

In 2004, the District entered into a revised Master Trust Indenture (the “2004 Master Indenture”) to amend and restate the Prior Indentures, to consolidate the two Programs under a single indenture, to create administrative flexibility and allow certain transfers of amounts between Programs and to provide a limited degree of “cross-collateralization” in the form of reciprocal subordinated lending arrangements between the Programs as described herein. See “**SOURCE OF PAYMENT AND SECURITY—Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF; Limited Cross-Collateralization**”. At that time the District also issued \$38,460,000 principal amount of Series 2004 Bonds (the “Series 2004 Bonds”) under the 2004 Master Indenture to, among other purposes, refund the District’s then outstanding Series 1994 Bonds and Series 1995 Bonds and a portion of the Series 1996 Bonds. In 2005, the District issued \$50,000,000 principal amount of Series 2005 Bonds (the “Series 2005 Bonds”) to provide funds for the State Match and other new Loans under the Clean Water Program and the Drinking Water Program. In 2008, the District and Trustee amended and restated the 2004 Master Indenture pursuant to the Third Amended and Restated Master Trust Indenture dated as of March 1, 2008 (the “2008 Master Indenture”) and the District issued \$55,000,000 principal amount of Series 2008 Bonds (the “Series 2008 Bonds”) to provide funds for State Match and Leveraged Loans under the Clean Water Program and the Drinking Water Program. The Existing Bonds are comprised of the outstanding Prior Clean Water Bonds, Prior Drinking Water Bonds, the Series 2004 Bonds, the Series 2005 Bonds and the Series 2008 Bonds.

In connection with the issuance of the Series 2009 Notes, the District and the Trustee amended and restated the 2008 Master Indenture pursuant to the Fourth Amendment and Restated Master Trust Indenture dated as of August 1, 2009 (the “2009 Master Indenture”). In connection with the issuance of the Series 2010 Bond Anticipation Notes, the District and the Trustee have agreed to certain further amendments to the 2009 Master Indenture (as hereafter amended or supplemented from time to time (the “Master Indenture”). See **Appendix A: “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – 2010 Amendments”** herein.

The Drinking Water Program was created by the State of South Dakota in 1995 to implement provisions of the Safe Drinking Water Act. The Safe Drinking Water Act authorizes the United States Environmental Protection Agency (the “EPA”) to make Capitalization Grants to states for the purpose of establishing a state revolving fund to be used, among other matters, in financing the construction of improvements to public water supply systems and certain other activities. The Drinking Water State Revolving Fund created under the Drinking Water Program satisfies the criteria of the Safe Drinking Water Act and entitles South Dakota to receive Capitalization Grants from the EPA for public water supply systems.

The Clean Water Program was created by the State in 1988 to implement provisions of the Clean Water Act. Title VI of the Clean Water Act authorizes the EPA to make Capitalization Grants to states for the purpose of establishing a state revolving fund to be used, among other matters, in financing the construction of wastewater treatment facilities and certain other activities. The Clean Water State Revolving Fund created under the Clean Water Program satisfies the criteria of the Clean Water Act and entitles South Dakota to receive Capitalization Grants from the EPA for wastewater treatment facility construction, certain nonpoint source and groundwater protection projects, including landfill construction and closure and certain other activities.

### ***Loans***

The Loan Obligations held by the District under the Programs are described in Appendix B hereto. To date, the District has not experienced any payment defaults on any of the Loan Obligations. Additional Loans expected to be made in the future under the Programs are described in Appendix C.

The Federal Acts mandate that Loans from the State Revolving Funds be made at or below market interest rates. The Clean Water Act mandates that Loans from the Clean Water SRF be fully amortized within thirty years of the date which is not more than one year following completion of the project financed and be repaid from a dedicated source of revenue. The Safe Drinking Water Act mandates that Loans from the Drinking Water SRF be fully amortized within twenty years (30 years in the case of loans to disadvantaged communities) of the date which is not more than one year following completion of the project financed and be repaid from a dedicated source of revenue. In addition the District charges an administrative fee computed on the outstanding principal amount of the Loan. The interest rate and annual administrative fee on new Loans is established by the Board and may be revised from time to time.

The Borrowers are required to evidence their obligations under the Loan Agreements by issuing Loan Obligations to the District. The Loan Obligations issued by Borrowers which are political subdivisions generally are expected to be utility revenue obligations issued under Chapter 9-40, South Dakota Codified Laws, or sales tax revenue obligations issued under Chapter 10-52, South Dakota Codified Laws. Certain of the Loan Obligations may be general obligations of the Borrowers. Loan Obligations of other public water system owners which are not political subdivisions are expected to consist of loan agreements secured by mortgages or security interests in all or portions of the assets of the water supply systems. Loan Obligations which are payable solely from the net revenues of a political subdivision's utility system or the specific portion of the utility facilities financed by the Loan Obligations will generally involve a covenant that such political subdivision maintain rates and charges for the system or portion of the system which produce annual net revenues after operating expenses equal to at least 110% of the annual principal and interest on the Loan Obligations (including the administrative fee) and any other utility debt ranking on a parity with the Loan Obligations. Such rate covenant will not apply to a Loan Obligation which is a general obligation of a political subdivision. In the case of Loan Obligations payable from sales taxes, the sales tax collections for 12 consecutive months within the previous 15 months immediately preceding the issuance of the bonds must equal at least 120% of annual principal and interest on the Loan Obligations and any parity sales tax obligations of the political subdivision.

In the case of Loan Obligations of those Borrowers which are not political subdivisions ("Nonprofit Borrowers"), the form of required security will be based on various considerations, including the form of security required by other lenders on loans to such Nonprofit Borrowers, the nature of the Nonprofit Borrower's unencumbered assets and other factors. It is generally expected that the Loan Obligations will be secured by a mortgage or security interest in some portion of the Nonprofit Borrower's system. Existing loans described in **Appendix B** include fourteen loans to nine Nonprofit Borrowers with an aggregate outstanding balance of \$34,001,080 as of March 31, 2010. The expected loans described in **Appendix C** include two loans to Nonprofit Borrowers.

The Board periodically adjusts the interest rates for new Loan Obligations. The rates and other Loan Obligation terms under the Clean Water Program and Drinking Water Program may differ. The rates are monitored by the Board on an on-going basis to ensure that the SRF rates are set at or below market rates.

### ***Drinking Water Terms***

For fiscal year 2010 the interest rates for Drinking Water Loan Obligations are 2.25% for loans with a term of 10 years or less and 3.00% for loans with a term of up to 20 years. Borrowers are allowed to choose the term of each loan, provided that the proposed repayment source produces sufficient coverage and the term does not exceed the useful life of the project. The Board also retained the rate for loans intended for interim financing at 2.0%. The maximum allowable term for interim financing loans is

three years. Loan rates for disadvantaged communities are 3.00%, 2.25% or 0.0% depending on the recipient's median household income as described below and may be extended to 30 years.

An administrative surcharge of 0.5% is included in the interest rate with the exception of loans for interim financing, which have no administrative surcharge. This surcharge is used for staff salary, benefits, travel, and overhead and may also be used for bond, underwriting, trustee expenses and other activities allowable by the federal acts. The administrative surcharge is waived for interim financing loans and certain loans made to disadvantaged communities.

The Safe Drinking Water Act permits the District to provide additional subsidies to benefit communities which meet the definition of "disadvantaged". These subsidies are limited in amount to 30% of the Capitalization Grant for any year. Loans at rates as low as 0% are not considered subsidies for purposes of this limitation. Loans to disadvantaged communities may be for up to 30 years provided the term does not exceed the useful life of the project. The District has defined disadvantaged communities to include (a) municipalities and sanitary districts whose median household income is below the state-wide median household income and whose residential water rate is at least \$25 for 5000 gallons of usage and (b) all other applicants whose median household income is below the state-wide median and the residential water rate is at least \$55 for 7000 gallons of usage. Although the Safe Drinking Water Act permits principal forgiveness and negative interest rate loans to disadvantaged communities, the Board's rules provide only for subsidies in the form of 30-year loans and up to a two percentage point reduction in interest rate, with zero percent loans being available for disadvantaged communities with a median household income less than 60% of the state-wide median. Of the existing loans described in Appendix B, an aggregate of \$46,998,900 (or approximately 26% of the principal amount of total outstanding Drinking Water Loan Obligations) involve loans to disadvantaged communities. \$6,230,500 of the expected loans described in Appendix C involve loans to disadvantaged communities.

### ***Clean Water Terms***

For fiscal year 2009 the interest rates for Clean Water Loan Obligations are 2.25% for loans with a term of 10 years or less, 3.00% for loans with a term of up to 20 years and 3.25% for loans with a term of up to 30 years. Borrowers are allowed to choose the term of each loan provided that the proposed repayment source produces sufficient coverage and the term does not exceed the useful life of the project. The interest rate includes an administrative surcharge of 0.5% except for non-point source project loans with terms up to 10 years which have an administrative surcharge of 0.25%. The primary purpose of the surcharge is to provide a pool of funds to be used for administrative purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes, as determined eligible by EPA and at the discretion of the Board and Department. The Board retained the existing rate for loans intended for interim financing at 2.0%. The maximum allowable term for interim financing loans is three years. The administrative surcharge shall be waived for loans made for interim financing.

The Board has maintained an incentive rate to encourage funding of nonpoint source projects. Projects for traditional wastewater or stormwater projects that include a nonpoint component will continue to receive a 1.0% reduction in the otherwise applicable interest rate. Nonpoint source projects not associated with traditional wastewater or stormwater projects are eligible to receive the incentive rate.

### ***Selection of Borrowers; Credit Standard***

The District selects Borrowers for funding based on their assigned priority as set forth in a Project Priority List attached to the District's Intended Use Plan for each Program. Projects with the highest ranking are to be funded prior to any lower ranked project if the Borrower has submitted a loan application to the District and has demonstrated adequate financial, managerial and technical capacity.

Projects on the Project Priority List may be bypassed if a potential Borrower has not demonstrated readiness to proceed by submitting a loan application. Projects eligible for financing under each Program are reviewed annually and the District prepares an updated Intended Use Plan and Project Priority List for each Program for the following fiscal year. Projects may be added by amending the Intended Use Plan and Project Priority List as needed throughout the year.

The District conducts an evaluation of the creditworthiness of applicants based on various considerations, but subject to a minimum requirement that each Borrower demonstrate, in the case of Loan Obligations which are revenue bonds, net revenue coverage equal to at least 110% of debt service or, in the case of Loan Obligations backed by sales tax revenues, sales tax coverage equal to at least 120% of debt service for any 12 consecutive months within the previous 15 months (the "Credit Standard"). The District reserves the right to waive the Credit Standard as applied to particular Borrowers applying for participation in either Program or to change it from time to time. To date, no such waivers have been granted and the original Credit Standard has remained in place.

### ***The Capitalization Grants and Letters of Credit***

The EPA Capitalization Grants for each Program are made to the District in the form of a letter of credit or other funding mechanism utilized by the United States (the "Letters of Credit"). The Letters of Credit provide the District with the ability to draw moneys periodically for purposes permitted under the Federal Acts as eligible costs of projects funded under the Programs are incurred. For each dollar of eligible costs incurred under a Program, approximately 83 cents may be drawn under the Letter of Credit, subject to the limits of the Capitalization Grant for the Program. Proceeds of draws on the Letters of Credit are required under the Master Indenture to be deposited into the Federally Capitalized Loan Account of the Loan Fund of the respective SRF. Under the Programs, the District will use moneys received from the Capitalization Grants to pay a portion of allowable administrative expenses and the balance is expected to be used to make additional Loans to qualified Borrowers.

The Safe Drinking Water Act also permits additional set-asides of portions of the Drinking Water Capitalization Grant for specific purposes such as program management, technical assistance and other activities, up to an aggregate maximum of 31% of the annual Drinking Water Capitalization Grant. Such set-asides reduce the Capitalization Grant available for the Drinking Water Program.

The Safe Drinking Water Act authorizes the Federal Government to provide annual funding of the Drinking Water Program with Capitalization Grants through federal fiscal year 2010. The Capitalization Grants (net of set-asides for purposes other than Program administration) awarded for the Drinking Water Program for the years ended September 30, 1997 to September 30, 2010, and the amounts drawn as of March 31, 2010, are as follows:

Drinking Water Capitalization Grants

Year	Grant Amount	Total Set-Asides *	Net	Amount Drawn	Balance
1997	\$12,558,800	\$606,652	\$11,952,148	\$11,952,148	\$-0-
1998	7,121,300	309,852	6,811,448	6,811,448	-0-
1999	7,463,800	423,552	7,040,248	7,040,248	-0-
2000	7,757,000	310,280	7,446,720	7,446,720	-0-
2001	7,789,100	382,770	7,406,330	7,406,330	-0-
2002**	14,563,300	483,150	14,080,150	14,080,150	-0-
2003**	14,471,900	420,164	14,051,736	14,051,736	-0-
2004	8,303,100	498,186	7,804,914	7,804,914	-0-
2005	8,352,500	497,130	7,788,370	7,788,370	-0-
2006	8,229,300	693,758	7,535,542	7,535,542	-0-
2007	8,229,000	493,740	7,735,260	2,443,298	5,291,962
2008	8,146,000	488,760	7,657,240	-0-	7,657,240
2009	8,146,000	538,760	7,607,240	-0-	7,607,240
ARRA***	19,500,000	390,000	19,110,000	3,008,849	16,101,151
2010	13,573,000	814,380	12,758,620	-0-	12,758,620

\*Includes 4% for administration

\*\*Includes transfers from Clean Water SRF of \$6,510,800 from the 2002 Clean Water Capitalization Grant and \$6,467,800 from the 2003 Clean Water Capitalization Grant to the Drinking Water Program.

\*\*\*The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") required that at least 50 percent of these funds must be provided as additional subsidization in the form of principal forgiveness, negative interest rates, or grants. The District determined to apply a principal forgiveness approach when awarding the ARRA funds. The District awarded 80.4% of its Drinking Water ARRA funds as principal forgiveness. Funds appropriated through ARRA were not subject to State Match requirements.

No appropriation has been made for such purposes by the Federal Government for any period beyond September 30, 2010 and no assurance may be given that any such appropriation will be made. No portion of the proceeds from the Series 2010 Bond Anticipation Notes are expected to be used to provide the State Match for Drinking Water Loans.

Capitalization Grants awarded for the Clean Water Program for each of the years ended September 30, 1989 to 2009, and the amounts drawn as of March 31, 2010, are as follows:

Clean Water Capitalization Grants

Year Ended September 30	Grant Amount	Total Set- Asides*	Net	Amount Drawn	Balance
1989	\$4,577,200	\$152,573	\$4,424,627	\$4,424,627	\$-0-
1990	4,738,000	157,933	4,580,067	4,580,067	-0-
1991	10,074,800	335,827	9,738,973	9,738,973	-0-
1992	9,534,900	317,830	9,217,070	9,217,070	-0-
1993	9,431,000	314,367	9,116,633	9,116,633	-0-
1994	5,813,800	193,793	5,620,007	5,620,007	-0-
1995	6,007,800	200,260	5,807,540	5,807,540	-0-
1996	9,904,700	330,157	9,574,543	9,574,543	-0-
1997	2,990,500	99,683	2,890,817	2,890,817	-0-
1998	6,577,300	219,243	6,358,057	6,358,057	-0-
1999	6,577,900	219,263	6,358,637	6,358,637	-0-
2000	6,555,200	218,507	6,336,693	6,336,693	-0-
2001	6,496,100	216,537	6,279,563	6,279,563	-0-
2002	**	**	**	**	**
2003	**	**	**	**	**
2004	6,471,800	215,727	6,256,073	6,256,073	-0-
2005	5,243,500	174,780	5,068,720	5,068,720	-0-
2006	4,242,300	141,410	4,100,890	4,100,890	-0-
2007	5,207,200	173,570	5,033,630	5,033,630	-0-
2008	3,274,300	109,140	3,165,160	1,374,031	1,791,129
2009	3,274,300	109,140	3,165,160	-0-	3,165,160
ARRA***	19,239,100	769,564	18,469,536	2,894,978	15,574,558
2010	10,002,000	333,400	9,668,600	-0-	9,668,600

\*Set asides were for administration purposes only.

\*\*The 2002 and 2003 Clean Water Capitalization Grants were transferred in their entirety to the Drinking Water Program in the amounts of \$6,510,800 and \$6,467,800 respectively.

\*\*\*ARRA required that at least 50 percent of these funds must be provided as additional subsidization in the form of principal forgiveness, negative interest rates, or grants. The District determined to apply a principal forgiveness approach when awarding the ARRA funds. The District awarded 86.2% of its Clean Water ARRA funds as principal forgiveness. Funds appropriated through ARRA were not subject to State Match requirements.

Set forth below is a summary table of funds received by the District under ARRA and the principal forgiveness approved by the District as of February 17, 2010. See Appendix B “**American Recovery & Reinvestment Act**” for additional detail as to the individual loans and principal forgiveness.

**American Recovery & Reinvestment Act  
South Dakota State Revolving Fund Programs**

<b>Program</b>	<b>ARRA Funds Obligated Via Assistance Agreement</b>		<b>ARRA Set Aside Funds</b>	<b>Total ARRA Funds</b>
	<b>Principal Forgiveness</b>	<b>Loan</b>		
Clean Water State Revolving Fund	\$15,926,084 86.2%	\$2,543,452 13.8%	\$769,564	\$19,239,100
Drinking Water State Revolving Fund	\$15,359,450 80.4%	\$3,750,550 19.6%	\$390,000	\$19,500,000

***Availability of Future Capitalization Grants***

The Series 2008 Bonds were issued to provide the State Match for the Clean Water Capitalization Grants and the Drinking Water Capitalization Grants the District anticipates receiving through 2010 and a portion of the proceeds of the Series 2009 Notes will be used to provide State Match for the Clean Water Capitalization Grant for 2010 and 2011. The District has received its 2010 Capitalization Grants in the expected amounts but there is a risk that the 2011 Capitalization Grants for the Drinking Water Program or Clean Water Program, or both, will be reduced or eliminated by reason of (a) elimination or reduction in anticipated federal appropriations, (b) transfer of funds at the direction of the Governor from one Program to the other Program and (c) determination to increase the set-asides above anticipated levels. Any such reductions may delay or reduce the anticipated interest earnings from Loan Obligations. No appropriation has been made for such purposes by the Federal Government for any period beyond September 30, 2010 and no assurance may be given that any such appropriation will be made

***Transfer of Funds***

The Safe Drinking Water Act allows up to 33% of a state’s annual Capitalization Grant for drinking water to be transferred at the direction of the Governor to a state’s clean water revolving fund, or an equivalent dollar amount of a state’s annual Capitalization Grant for clean water to be transferred to a state’s drinking water revolving fund. The District made transfers from the Clean Water SRF to the Drinking Water SRF pursuant to this authority for the years 2002 and 2003 in an aggregate amount of \$15,574,320. This transferred amount included the entire 2002 and 2003 Clean Water Capitalization Grants and associated state match funds.

In 2006, the District transferred \$7,500,000 of Drinking Water Leveraged Funds to the Clean Water Program. With the 2010 Drinking Water Capitalization Grant, the ability exists to transfer up to \$24,595,095 from the Clean Water SRF Program to the Drinking Water SRF Program. Up to \$32,669,415 could be transferred from the Drinking Water Program to the Clean Water SRF Program.

***New Loans***

The District has heretofore loaned approximately \$14,971,967 of the proceeds of the Series 2009 Notes and expects to make Loans with the remaining Series 2009 Note proceeds (approximately \$40,705,227). As of March 31, 2010, the District has approved Loans with remaining expenditures to be



made in excess of \$40,705,227. Loans presently projected to be made under the Programs are for the projects described in Appendix C. Based on the District's previous loan origination experience, the District expects actual Loans may differ from those projected in Appendix C or otherwise identified in the District's Intended Use Plans. The changes in actual Loans made are likely to occur as a result of various factors, including the ability of some potential borrowers to fund the projects from competing funding sources, timing and project scope modifications by Borrowers and the inability of some potential borrowers to meet Program eligibility criteria.

The Master Indenture is an "open indenture" which authorizes the issuance of additional Bonds and Notes and the lending of Bond proceeds and other funds to Borrowers to be identified in the future. The District expects to make additional Loans from the Federally Capitalized Loan Accounts and the State Match Loan Accounts in amounts and at interest rates which have not yet been determined. Thus, the credit quality of the Loan Obligations which may in the future be pledged to the Bonds and Notes cannot be predicted. Although additional Bonds are authorized only if sufficient Loan Obligations meet the Credit Standard, the Credit Standard may be waived at the discretion of the District. In the event of such a waiver, the related Loan Obligations cannot be included in the computation of coverage required for the issuance of additional Bonds. To date the District has not waived the Credit Standard for any Borrower. It is the intention of the District to continue to subsidize the interest rates on the Loans. As long as the requirements for the issuance of additional Bonds are met, there is no minimum rate for Loans made by the District.

In addition, the District has adopted a policy under which it provides interim Loans to certain Borrowers. Such Borrowers are permitted to satisfy the coverage requirement of the Credit Standard based upon the expectation of the District that the Borrowers will repay the interim Loans out of funds provided by a "take-out" or permanent financing provided by Federal grant and loan programs.

### ***Sources of Funds for Loans***

The Master Indenture establishes three accounts within the Loan Fund of each State Revolving Fund for making Loans to Borrowers: the State Match Loan Account, the Federally Capitalized Loan Account and the Leveraged Loan Account. Under applicable EPA regulations, the State of South Dakota is required to provide a match equal to 20% of the amount of the Capitalization Grant. The Federally Capitalized Loan Account will be funded with proceeds of any draws under the Letter of Credit, together with any transfers from the Restricted Reserve Account of the Reserve Fund. The Leveraged Loan Account may be funded from the proceeds of any Bonds issued to provide additional funds for the Program beyond a level provided by the Capitalization Grants, Loan repayments and the State Match requirement.

Loans to Borrowers can be made from any available funds in the State Match Loan Account, the Federally Capitalized Loan Account or the Leveraged Loan Account in such proportions as the District may determine. In addition, Loans may be funded from amounts on deposit in the Unrestricted Cumulative Excess Interest Repayments Subaccount and the Restricted Cumulative Excess Principal Repayments Subaccount of the Revenue Fund under the terms of the Master Indenture. For future Loans, the relative proportions in which Loans are made from Bond proceeds, Capitalization Grant proceeds and other sources will depend primarily on the availability of federal funds, the nature of the Borrowers and projects, the funding needs of the Program and the rate of interest at which the Loans are made.

### ***Loan Agreements***

Pursuant to each Loan Agreement, the District will agree to purchase specified Loan Obligations, and the Borrower will agree to pay certain amounts, including administrative fees, as long as the District is the owner of the Loan Obligations. The Loan Agreements set forth the terms and conditions under

which Loan proceeds are to be disbursed to pay or reimburse eligible costs of the project being financed. The Loan Agreements include various representations and covenants as to the project to be financed and the authority of the Borrowers to issue the Loan Obligations. In the case of Borrowers which are political subdivisions, the Loan Agreements will include covenants pertaining to the tax exempt status of the Bonds and, in the case of Loan Obligations payable from utility revenues, a covenant to maintain either the net revenues of the utility or the net revenues of the facilities financed with Bond proceeds in each fiscal year at least equal to 110% of debt service on the Loan Obligations and any other parity lien debt. The coverage requirement for Loan Obligations payable from sales tax revenues is 120%. In the case of Nonprofit Borrowers, the coverage requirement is 110%. The District reserves the right to waive or modify the foregoing coverage requirements. The Master Indenture permits the District to waive Loan Obligation prepayment restrictions as long as the District provides the Trustee with a Coverage Certificate (as defined in the Master Indenture) demonstrating that Adjusted Projected Revenues (after giving effect to the prepayment) will be at least 120% of the Allocable Portion of debt service due each year on the State Match Portion and Leveraged Portion of all outstanding Bonds.

***Account Balances***

The unaudited fund balances for the Programs, the amount Loan Obligations held by the District and the principal amount of outstanding Bonds as of March 31, 2010 are as follows:

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Summary of Fund Balances, Loan Balances  
and Outstanding Bonds  
(as of March 31, 2010)

<u>Fund Assets</u>	<u>Clean Water</u>	<u>Drinking Water</u>
Reserve Fund:		
State Match Reserve Account	\$ 384,396.90 <sup>(1)</sup>	\$ 945,620.32 <sup>(2)</sup>
Restricted Reserve Account	0.00	0.00
Unrestricted Reserve Account	0.00	0.00
Loan Fund:		
Federally Capitalized Loan Account	0.00	0.00
State Match Loan Account	1,248,175.14	6,641,526.62
Leveraged Loan Account	27,054,107.00	13,653,922.38
Transfer Match Loan Account	0.00	0.00
Revenue Fund:		
Unrestricted Interest Repayments Account	1,670,307.41	1,032,058.30
Restricted Principal Repayments Account	952,371.63	459,070.15
Unrestricted Cumulative Excess	23,377,166.12	15,546,196.72
Restricted Cumulative Excess	28,194,199.12	23,835,239.46
Administration Fund:		
SRF Administration Account	122,427.42	5,321.39
State Administration Account	3,751,055.90	5,710,097.31
Bond Fund:		
State Match Bond Account	1,439,871.34	1,298,934.77
Leveraged Bond Account	3,339,252.22	2,177,496.66
Outstanding Loan Balances*	165,139,858.32	112,103,776.42
Disbursed Portion of Other Closed Loans	11,362,748.00	10,587,553.00
Total Assets	<u>\$268,035,936.52</u>	<u>\$188,286,716.19</u>
 <u>Bonds Outstanding</u>		
Leveraged	\$ 94,617,442.75	\$ 56,285,000.00
State Match	10,917,557.25	18,510,000.00
Total Outstanding Bonds	<u>\$ 105,535,000.00</u>	<u>\$ 74,795,000.00</u>

\*Does not include Loans which have been closed, but which are not in repayment.

<sup>(1)</sup> Secures only Series 1996 Bonds and Series 2001 Clean Water Bonds.

<sup>(2)</sup> Secures only Series 1998 Bonds and Series 2001 Drinking Water Bonds.

### *Investment of Certain Funds*

Amounts on deposit in the Funds and Accounts under the Master Indenture may be invested in various permitted investments (see the definition of "Investment Obligations" in **Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – 2010 Amendments to Master Indenture"** herein). Included with these permitted investments are Investment Agreements which are permitted under South Dakota law if the agreement or issuer or guarantor of which is assigned the highest short-term rating or a long-term debt rating in the two highest categories by the rating agency or agencies rating the Bonds at the time the agreement is entered into. Certain existing fund balances are invested under Investment Agreements as follows:

Bond Issue	Provider	Investment Agreement			
		Interest Rate	Cap on Investment	Amount Invested	Termination Date
1994 <sup>(1)</sup>	FGIC Capital Market Services, Inc. (guaranteed by General Electric Capital Corporation)	5.40%	\$70,000,000	\$ 758,725	7/31/12
1995 <sup>(1)</sup>	Societe Generale (New York Branch)	6.85	15,000,000	\$ 6,094,823	8/1/15
1996 <sup>(1)</sup>	MBIA Inc.	6.22	15,000,000	\$ 8,332,124	8/1/17
2001 & 2004 <sup>(1)(2)</sup>	AIG Matched Funding Corp. (guaranteed by American International Group, Inc.)	5.07	60,000,000 <sup>(3)</sup>	\$39,458,084	8/1/25
2005 <sup>(1)(2)</sup>	AIG Matched Funding Corp. (guaranteed by American International Group, Inc.)	4.41	\$80,000,000 <sup>(3)</sup>	\$33,507,537	8/1/26

<sup>(1)</sup> Clean Water.

<sup>(2)</sup> Drinking Water.

<sup>(3)</sup> Cap solely on Revenue Fund portion of total investment.

There is currently no investment agreement in place with respect to the Series 1998 Bonds, the Series 2008 Bonds, the Series 2009 Notes or the Series 2010 Notes. The District has no present intention to enter into an investment agreement with respect to any such Series of Bonds or Notes.

In connection with the issuance of the Series 2010 Bond Anticipation Notes, the District and the Trustee have agreed to amend the 2009 Master Indenture to authorize investments of amounts on deposit in the Revenue Funds (including all Accounts and Subaccounts therein) in the South Dakota Cash Flow Fund at any one time. See **Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – 2010 Amendments to Master Indenture"** herein. The South of Dakota Cash Flow Program has no rating assigned to it by any Rating Agency, but constitutes a permitted investment for the District because it limits the investment of funds to a subset of securities that the District is otherwise authorized to invest in as "Investment Obligations" under the Master Indenture. See **Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Selected Definitions"** herein.

In addition, in August, 2010, the Board adopted a formal investment policy (as amended or revised from time to time, the “Investment Policy”). The Investment Policy provides that the District will invest amounts on deposit in the various Funds, Accounts and Subaccounts under the Indenture (the “Trust Funds”) in a manner and for the stated purpose of providing maximum security, sufficient liquidity, and a competitive investment return to meet the daily cash flow demands of the Programs.

The Investment Policy supplements the provisions of the Indenture and relative documents, and in the event of a conflict between the Indenture or any tax-related documents on the one hand and the Investment Policy on the other, then the provisions of the Indenture or tax documents, as applicable, shall prevail. The Investment Policy also recognizes the contractual obligations of the District to invest designated amounts in various Investment Agreements, and provides that the balance of Trust Funds not invested in Investment Agreements (the “Remaining Balance”) is subject to the following restrictions:

- a. Subject to the exception of securities issued by the U.S. Treasury or guaranteed directly or indirectly by the U.S. Government, no more than 25 percent of the aggregate of the Remaining Balance will be invested in the deposits of a single financial institution, provided, however, this limitation shall not apply to any money market fund or other investment described in clause (d) of the definition of “Investment Obligations” if such investment directly or indirectly involves solely securities described in clauses (a) or (b) of the definition of “Investment Obligations” or is rated in one of the two-highest long or short-term rating categories by the Rating Agencies (herein, each a “Qualified Fund”).
- b. In addition, no more than 20 percent of the aggregate total of funds on deposit in the Revenue Fund, including all accounts and subaccounts therein, will be invested in the South Dakota Cash Flow Fund described in clause (h) of the definition of “Investment Obligations”.
- c. The District will limit its investment in securities issued by government sponsored entities (a/k/a “GSEs”) or federally related institutions that are guaranteed directly or indirectly by the U.S. Government to no greater than 40 percent of the total Trust Funds.
- d. Amounts credited to the Bond Fund, including any account or subaccount therein, shall only be invested in (i) Investment Agreements (if applicable), (ii) investments described in clauses (a) or (b) of the definition of “Investment Obligations”, or (iii) Qualified Funds.

The Board intends to review the Investment Policy annually, and reserves the right to change the policy at any time.

For purposes of the tables contained elsewhere in the Official Statement under the caption “**SOURCE OF PAYMENT AND SECURITY**”, the District has assumed that the Investment Agreements relating to the Series 1994, 1995, 1996 and 2001 Clean Water Bonds, the Series 2001 Drinking Water Bonds and Series 2004 Bonds and Series 2005 Bonds and will remain in effect until the dates specified in the table above and other balances are assumed to earn interest at 0.50% per annum. However, the Investment Agreement which relates to proceeds from the Series 1996 Clean Water Bonds provides that it will terminate earlier upon redemption, defeasance or refunding of all of the related Series 1996 Bonds.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the sale of the Series 2010 Bond Anticipation Notes will be used, together with other available funds, to pay the principal of the Series 2009 Notes maturing on September 10, 2010 and certain costs of issuance of the Series 2010 Bond Anticipation Notes. The following is a summary of the estimated sources and uses of Series 2009 Note proceeds:

<u>Sources:</u>	<u>Clean Water</u>	<u>Drinking Water</u>	<u>Total</u>
Note Proceeds	\$37,000,000	\$18,000,000	\$55,000,000
Premium	543,160	264,240	807,400
Total Sources of Funds	<u>\$37,543,160</u>	<u>\$18,264,240</u>	<u>\$55,807,400</u>
<u>Uses:</u>			
Leveraged Loans Account			
Advanced to Borrowers:			
Not Yet Advanced:	\$10,401,463	\$ 4,570,504	\$14,971,967
State Match Loan Account	23,511,013	13,651,120	37,162,133
Cost of Issuance	3,543,094	—	3,543,094
Total Uses of Funds	<u>87,590</u>	<u>42,616</u>	<u>130,206</u>
	<u>\$37,543,160</u>	<u>\$18,264,240</u>	<u>\$55,807,400</u>

### *Plan of Finance for the Series 2010 Bond Anticipation Notes*

The Series 2010 Bond Anticipation Notes will be dated the date of delivery and will mature on the date set forth on the inside cover of this Official Statement. Although the Series 2010 Bond Anticipation Notes are secured as noted above under “Source of Security for the Series 2010 Bond Anticipation Notes”, as of the date of this Official Statement, the District expects to issue Bonds or Notes, pursuant to the Master Indenture, to pay the principal of and/or interest on the Series 2010 Bond Anticipation Notes upon maturity and such additional Bonds may also fund other purposes allowable under the Master Indenture, including the funding of additional Loans.

## SOURCE OF PAYMENT AND SECURITY

The Series 2010 Bond Anticipation Notes **ARE NOT** “Bonds” within the meaning of such term under the Master Indenture and are not secured on a parity with any Bonds now or hereafter issued and Outstanding under the Master Indenture.

Bonds, including the Existing Bonds and any additional Bonds issued and Outstanding under the Master Indenture, are secured by a first lien on and pledge of the moneys and investments in the Revenue Fund, Bond Fund and, to the extent provided in the Master Indenture, the Loan Fund and Reserve Fund which the District has created and maintains under the Master Indenture, all as provided with more specificity therein. The Master Indenture provides that Revenues shall be deposited into the Revenue Fund and set aside periodically, generally semiannually with respect to principal and interest on fixed rate Bonds and monthly with respect to variable rate bonds, in order to provide for the payment of principal and interest with respect to Outstanding Bonds and certain obligations of the District with respect to providers of credit enhancement or liquidity.

In addition, the Master Indenture also provides that Revenues from either Program shall be used to cross-collateralize Outstanding Bonds of the other Program pursuant to a subordinate loan if and as needed. Following the application of Revenues for such purposes, the remaining available Revenues (as

defined with more specificity in the Master Indenture, “Excess Revenues”) are pledged to secure notes or other obligations of the District, including the Series 2009 Notes and the Series 2010 Bond Anticipation Notes. The Master Indenture permits, but does not require, the District to apply Excess Revenues from one Program to be used to pay principal or interest on the Notes allocable to the other Program, subject to certain limitations explained elsewhere in this Official Statement relating to applicable federal restrictions. See “**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Master Indenture – Funds and Accounts – Revenue Fund**” in APPENDIX A.

The Series 2010 Bond Anticipation Notes are special obligations of the District payable sole from specific revenues and funds pledged therefor under the Master Indenture and Series Resolution, such revenues and funds consisting of (a) proceeds of additional Bonds or Notes if, as and when issued under the Master Indenture for the specific purpose of providing funds to pay the Series 2010 Bond Anticipation Notes at maturity and (b) Excess Revenues (as defined in the Master Indenture). The lien on Excess Revenues securing the Series 2009 Notes and the Series 2010 Bond Anticipation Notes is subordinate to the lien on Revenues which secures all Bonds, including additional Bonds, now or hereafter Outstanding under the Master Indenture (and such subordinate lien securing the Outstanding Notes is also subordinate to the provisions of the Master Indenture which provide for the loan of funds from one Program to provide for payment of principal and interest on Bonds primarily secured by the Revenues of the other Program).

Subject to the limitations and qualifications below (see “General Limitation” below), the Drinking Water Portions and the Clean Water Portions, respectively, of the Existing Bonds, any additional Bonds to be issued under the Master Indenture and, on a subordinated basis, any Notes (including the Series 2010 Bond Anticipation Notes) will be payable from and secured by:

1. A lien on and pledge of the moneys and investments in the Bond Fund and, to the extent hereinafter described under “**APPENDIX A--SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE,**” the Revenue Fund, the Reserve Fund (but only if and to the extent any Series or portion of a Series of Bonds is expressly identified herein and in the related Series Resolution as being so secured) and the Loan Fund covenanted to be created and maintained under the Master Indenture; and
2. A lien on and pledge of the District’s interest in all Loan Agreements under the Program and all Loan Obligations acquired in connection therewith and all payments of principal and interest thereunder, except as hereinafter described, and all proceeds thereof;

provided, however, that Loan Obligations and other assets pledged under the Master Indenture may be released from the lien of the Master Indenture (or other Loan Obligations may be substituted) in the event, among other things, the District provides to the Trustee a certificate of the District showing estimated coverage from repayments of the remaining or substituted Loan Obligations and certain investment earnings to be at least 120% of average annual debt service requirements for the State Match Portion and Leveraged Portion of the Bonds. See “**APPENDIX A--SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE --Release of Assets**” herein.

To the extent such sources may be applied to particular portions of the debt service under the Master Indenture, the Master Indenture provides that moneys in any fund, account or subaccount therein relating to the Clean Water SRF shall be held separate and apart from moneys in any fund, account or subaccount therein relating to the Drinking Water SRF. To accomplish this, separate accounts and subaccounts in the various funds are maintained for Clean Water SRF moneys and Drinking Water SRF moneys. See the “*General Limitation*” paragraph set forth below and “**SOURCE OF PAYMENT AND SECURITY—Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF; Limited Cross Collateralization**”.

*General Limitation.* Notwithstanding any other provision of the Master Indenture, the following provisions shall govern the use and application of all funds and accounts under the Indenture Documents, and if and to the extent these provisions conflict in any manner with any other express or implied provision of the Indenture Documents, the following provisions shall prevail: (a) Drinking Water Bonds and Notes shall be secured solely by the Funds and Accounts within the Drinking Water SRF which are pledged pursuant to the granting clauses of the Master Indenture and no assets of the Clean Water Program may be used to secure Drinking Water Bonds and (b) Clean Water Bonds and Notes shall be secured solely by the Funds and Accounts within the Clean Water SRF which are pledged pursuant to the granting clauses of the Master Indenture and no assets of the Drinking Water Program may be used to secure Clean Water Bonds.

*Sources of Payment for State Match Portion of Principal and Interest on Bonds and Notes.* The sources of payment for the State Match Portions of the Drinking Water Portion and Clean Water Portion of the Existing Bonds and Notes and any other Series of Bonds and Notes hereafter issued under the Master Indenture consist solely of revenues to be derived from payments of interest on the Loan Obligations evidencing the Loans made under the Drinking Water Program or Clean Water Program, as applicable, and amounts on deposit in certain funds and accounts established under the Master Indenture. See “Revenues and Other Available Moneys - Unrestricted Interest Repayments Account” below for a further description of such revenues and sources of payment of the State Match Portions of Outstanding Bonds and Notes.

*Sources of Payment for Leveraged Portion of Principal and Interest on Bond and Notes.* The sources of payment for the Leveraged Portions of the Drinking Water Portion and Clean Water Portion of the Existing Bonds and Notes and any other Series of Bonds and Notes hereafter issued under the Master Indenture consist solely of revenues to be derived from payments of principal of the Loan Obligations evidencing the Loans made under the Drinking Water Program or Clean Water Program, as applicable, and, to the extent not applied to debt service on the State Match Portion of Bonds, interest on such Loan Obligations and amounts on deposit in certain funds and accounts established under the Master Indenture. See “Revenues and Other Available Moneys - Restricted Principal Repayments Account” below for a further description of such revenues and sources of payment of the Leveraged Portions of Outstanding Bonds and Notes.

### ***Revenues and Other Available Moneys***

Consistent with federal regulations applicable to the Programs, the Master Indenture has provisions which are designed to separate principal repayments on the Loan Obligations from the interest payments on the Loan Obligations and to separate repayments of Clean Water Loan Obligations from repayments of Drinking Water Loan Obligations. The principal repayments on the Clean Water Loan Obligations are to be deposited in the Restricted Principal Repayments Account of the Clean Water Revenue Fund to secure the Leveraged Portion of the Clean Water Portion of debt service on the Bonds and Notes. The principal repayments on the Drinking Water Loan Obligations are to be deposited in the Restricted Principal Repayments Account of the Drinking Water Revenue Fund to secure the Leveraged Portion of the Drinking Water Portion of debt service on the Bonds and Notes. Interest payments on the Clean Water Loan Obligations and investment income on other Clean Water funds and accounts not required to be otherwise applied are to be deposited in the Unrestricted Interest Repayments Account of the Clean Water Revenue Fund to secure first the State Match Portion of the Clean Water Portion of debt service on the Bonds and Notes. Interest payments on the Drinking Water Loan Obligations and investment income or other Drinking Water funds and accounts not required to be otherwise applied are to be deposited in the Unrestricted Interest Repayments Account of the Drinking Water Revenue Fund to secure first the State Match Portion of the Drinking Water Portion of debt service on the Bonds and Notes. Any excess amounts in an Unrestricted Interest Repayments Account may then be applied on a



current basis to pay the Leveraged Portion of the Clean Water Portion or Leveraged Portion of the Drinking Water Portion, as applicable, of debt service on the Bonds and Notes.

Amounts in each Restricted Principal Repayments Account and the Unrestricted Interest Repayments Account for each SRF are permitted to be transferred and otherwise applied as follows:

*Restricted Principal Repayments Account.* Principal repayments on the Loan Obligations of each SRF secure payment of the Leveraged Portion of the portion of debt service portion allocable to the Drinking Water SRF or Clean Water SRF, as applicable, and are deposited in the Restricted Principal Repayments Account for such SRF. Such payments shall be transferred or otherwise applied on or prior to each Bond Payment Date as follows:

- to the Leveraged Bond Account of the Drinking Water Bond Fund or Clean Water Bond Fund, as applicable, to pay principal and interest on the Leveraged Portions of Bonds then due and, if such transfer is made on a February 1 Bond Payment Date, one half of the principal amount of the applicable Leveraged Portion of the applicable Bonds due on or before the next August 1,
- to replenish the Restricted Reserve Account (or any specific subaccount thereof to the extent of any applicable reserve requirement) of such SRF if any required valuation thereof indicates a deficiency therein,
- to the Restricted Principal Repayments Account of the other SRF to the extent necessary to pay debt service on obligations arising with respect to Bonds secured by Revenues of the other SRF,
- to an account of the other SRF to the extent of a reimbursement obligation not satisfied from another source;
- the balance, if any, shall constitute Excess Revenues for the SRF and shall be credited to the SRF Restricted Cumulative Excess Principal Repayments Subaccount for such SRF and, on the next business day (i.e. on such Bond Payment Date following the transfers described above), any remaining Excess Revenues for such SRF shall be transferred to the Leveraged Note Account of the Clean Water or Drinking Water Bond Fund to pay principal, interest and Bond Fees then due on the Leveraged Portion of Notes after first taking into account any proceeds of Refunding Bonds issued and available for such purpose; and
- all remaining Excess Revenues shall be retained in the Restricted Cumulative Excess Principal Repayments Subaccount of the SRF until applied as above or as may be provided in a Series Resolution or any Investment Agreement, is transferred to replenish an SRF Restricted Reserve Account if there is a deficiency therein on any valuation date or, at the written direction of the District, is disbursed to a Borrower to fund new Loans.

*Unrestricted Interest Repayments Account.* Amounts on deposit in each Unrestricted Interest Repayment Account for each SRF shall be transferred or otherwise applied on or before each Bond Payment Date as follows:

- to the applicable State Match Bond Account for such SRF to pay principal and interest on the applicable State Match Portion of Bonds for such SRF,

- to the Leveraged Bond Account for such SRF to pay principal and interest on the applicable Leveraged Portion of Bonds for such SRF to the extent the amounts available from the Restricted Principal Repayments Account and transfers from the other SRF are insufficient therefor,
- if such transfer is made on a February 1 Bond Payment Date, one half of the principal amount of any State Match Portion of the applicable Bonds due on or before the next August 1 shall be transferred to the State Match Bond Account of the applicable Bond Fund,
- to the Unrestricted Reserve Account (or any specific subaccount thereof to the extent of any applicable reserve requirement) for such SRF to the extent of any deficiency therein,
- to the Unrestricted Interest Repayments Account of the other SRF to the extent necessary to satisfy the debt service on obligations arising with respect to Bonds secured by Revenues of the other SRF,
- to an account of the other Fund to the extent necessary to satisfy a reimbursement obligation to such Fund,
- the balance, if any, shall constitute Excess Revenues for the SRF and shall be credited to in the SRF Unrestricted Cumulative Excess Interest Repayments Subaccount and, on the next business day (i.e. on such Bond Payment Date following the transfers described above), any remaining such Excess Revenues for such SRF shall be transferred (i) to the State Match Note Account for such SRF to pay principal, interest and Bond Fees due on the State Match Portion of Notes for the SRF and (ii) to the Leveraged Note Account of the Bond Fund for such SRF to pay the remainder of the Leveraged Portion of the principal and interest on the Notes for such SRF which was not provided by the transfer described above, in each case, after first taking into account any proceeds of Refunding Bonds issued for such purpose; and
- all remaining Excess Revenues shall be retained in the Unrestricted Cumulative Excess Interest Repayments Subaccount of the SRF until applied as above, or as may be provided in a Series Resolution or any Investment Agreement, or (A) the District shall otherwise direct in writing that such amounts be transferred to any other Fund or Account established under the Master Indenture other than the State Administration Account of the Administration Fund and the State Match Reserve Account or (B) shall cause amounts to be disbursed to a Borrower to fund new Loans.

The Master Indenture provides that any Excess Revenues shall be transferred to the related principal or interest accounts in the Note Payment Fund to pay principal or interest on Notes (including the Series 2010 Bond Anticipation Notes) as described above but are otherwise subject to the same restrictions as to State Match Portion and Leveraged Portion of debt service on Notes as are applicable with respect to Bonds as described above.

Investment earnings on all funds and accounts under the Master Indenture which are not otherwise required to be maintained therein or otherwise transferred pursuant to the terms of the Master Indenture must be transferred to the Unrestricted Interest Repayments Account of the Revenue Fund.

The Master Indenture provides that, notwithstanding any other provision of the Master Indenture, the District may direct the Trustee to transfer funds between Programs or within a Program and between Funds, Accounts or Subaccounts for any purpose, including, without limitation, for the purpose of

establishing greater flexibility of use, freedom from or achieving compliance with federal or state tax, regulatory, contractual or other requirements, if, as a result of a series of such transfers, the net balance of funds in each affected Program, Fund, Account and/or Subaccount, as applicable, is not less than the balance in such Program, Fund, Account or Subaccount, as applicable, immediately prior to such series of transfers.

See “**APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE - Funds and Accounts**” for additional information concerning the Funds and Accounts under the Master Indenture.

The following tables set forth the estimated revenues and debt service of the Programs as of the issuance of the Series 2010 Bond Anticipation Notes. The tables are based upon the assumptions set forth in the footnotes presented below each respective table. While the District believes that these assumptions are reasonable, there can be no assurance that actual amounts received or coverage will equal the amounts set forth in the tables and the variations may be material. The tables do not take into consideration prospective defaults on existing Loans, the issuance of additional Bonds or Notes, the making of additional Loans (other than those expected to be made with the proceeds of Outstanding Bonds and the Series 2009 Notes, loan repayments and Capitalization Grants anticipated to be received through 2010), a change in the creditworthiness of the Borrowers, a default in any investment, investment losses, changes in investment income available upon reinvestment, or other factors.

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**Drinking Water State Revolving Fund  
Projected Coverage**

	State Match Bonds				Leveraged Bonds						Total Bonds			
	Annualized Interest Revenues Available <sup>(1)</sup>	Annual State Match Debt Service <sup>(2)</sup>	Surplus of Available Revenues After Debt Service	Coverage	Surplus of Unrestricted Revenues After State Match Debt Service	Loan Principal Repayments <sup>(2)</sup>	Revenues Available for Leveraged Bonds <sup>(2)</sup>	Annual Leveraged Debt Service	Coverage	Total Revenue Available for Total Debt Service	Annual Total Debt Service	Surplus of Available Revenues After Debt Service	Total Coverage	
8/1/2011	\$5,488,293	\$1,448,545	\$4,039,748	3.79x	\$4,039,748	\$ 9,866,979	\$13,906,727	\$ 3,399,221	4.09x	\$15,355,272	\$4,847,766	\$10,507,505	3.17x	
8/1/2012	6,119,112	1,692,904	4,426,208	3.61x	4,426,208	13,529,308	17,955,515	4,399,742	4.08x	19,648,419	6,092,646	13,555,773	3.22x	
8/1/2013	5,784,670	1,749,520	4,035,150	3.31x	4,035,150	15,239,769	19,274,919	4,407,662	4.37x	21,024,439	6,157,182	14,867,257	3.41x	
8/1/2014	6,010,099	1,747,798	4,262,301	3.44x	4,262,301	12,406,193	16,668,494	4,416,723	3.77x	18,416,292	6,164,521	12,251,771	2.99x	
8/1/2015	6,316,622	1,753,670	4,562,953	3.60x	4,562,953	10,888,898	15,451,851	4,404,697	3.51x	17,205,521	6,158,366	11,047,154	2.79x	
8/1/2016	6,433,251	1,745,571	4,687,680	3.69x	4,687,680	11,087,295	15,774,975	4,411,944	3.58x	17,520,545	6,157,514	11,363,031	2.85x	
8/1/2017	6,492,649	1,755,303	4,737,347	3.70x	4,737,347	10,096,229	14,833,576	4,417,127	3.36x	16,588,879	6,172,430	10,416,449	2.69x	
8/1/2018	6,543,345	1,760,489	4,782,856	3.72x	4,782,856	10,344,319	15,127,175	4,428,662	3.42x	16,887,664	6,189,151	10,698,513	2.73x	
8/1/2019	6,595,512	1,762,705	4,832,807	3.74x	4,832,807	10,613,112	15,445,919	4,427,874	3.49x	17,208,624	6,190,579	11,018,045	2.78x	
8/1/2020	6,347,627	1,251,675	5,095,952	5.07x	5,095,952	10,247,758	15,343,710	4,440,549	3.46x	16,595,385	5,692,223	10,903,162	2.92x	
8/1/2021	6,374,504	1,258,344	5,116,160	5.07x	5,116,160	9,926,181	15,042,341	4,451,602	3.38x	16,300,684	5,709,945	10,590,739	2.85x	
8/1/2022	6,400,087	1,262,750	5,137,337	5.07x	5,137,337	9,158,875	14,296,212	4,454,952	3.21x	15,558,961	5,717,702	9,841,260	2.72x	
8/1/2023	6,153,125	844,893	5,308,233	7.28x	5,308,233	8,363,366	13,671,599	4,471,042	3.06x	14,516,492	5,315,935	8,200,557	2.73x	
8/1/2024	6,144,435	850,773	5,293,663	7.22x	5,293,663	7,712,320	13,005,983	4,478,906	2.90x	13,856,755	5,329,679	8,527,077	2.60x	
8/1/2025	6,133,607	855,745	5,277,863	7.17x	5,277,863	6,739,237	12,017,100	4,491,518	2.68x	12,872,845	5,347,263	7,525,582	2.41x	
8/1/2026	4,600,695	464,321	4,136,374	9.91x	4,136,374	6,446,060	10,582,434	2,741,120	3.86x	11,046,755	3,205,441	7,841,314	3.45x	
8/1/2027	4,146,577	346,062	3,800,515	11.98x	3,800,515	5,573,267	9,373,782	2,224,655	4.21x	9,719,844	2,570,717	7,149,127	3.78x	
8/1/2028	4,053,220	348,446	3,704,774	11.63x	3,704,774	5,128,540	8,833,314	2,229,812	3.96x	9,181,760	2,578,258	6,603,502	3.56x	
8/1/2029	3,958,024	350,592	3,607,432	11.29x	3,607,432	4,727,598	8,335,029	2,246,467	3.71x	8,685,621	2,597,059	6,088,562	3.34x	
8/1/2030	4,788,352	-	4,788,352		4,788,352	4,647,737	9,436,089	1,311,479	7.19x	9,436,089	1,311,479	8,124,610	7.19x	
8/1/2031	5,731,947	-	5,731,947		5,731,947	2,934,528	8,666,475	1,312,479	6.60x	8,666,476	1,312,479	7,353,996	6.60x	

<sup>(1)</sup> Includes loan interest repayments and interest earnings on funds.

<sup>(2)</sup> Consists of loans in repayment, approved loans as of March 31, 2010 and projected loans to be made through January 1, 2011.

**Clean Water State Revolving Fund  
Projected Coverage**

	State Match Bonds				Leveraged Bonds					Total Bonds			
	Annualized Interest Revenues Available <sup>(1)</sup>	Annual State Match Debt Service <sup>(2)</sup>	Surplus of Available Revenues After Debt Service	Coverage	Surplus of Unrestricted Revenues After State Match Debt Service	Loan Principal Repayments <sup>(2)</sup>	Revenues Available for Leveraged Bonds	Annual Leveraged Debt Service <sup>(2)</sup>	Coverage	Total Revenue Available For Total Debt Service	Annual Total Debt Service	Surplus of Available Revenues After Debt Service	Total Coverage
8/1/2011	\$6,698,332	\$1,739,663	\$4,958,670	3.85x	\$4,958,670	\$14,183,998	\$19,142,667	\$5,254,362	3.64x	\$ 20,882,330	\$ 6,994,025	\$13,888,306	2.99x
8/1/2012	6,268,735	1,959,610	4,309,126	3.20x	4,309,126	15,628,754	19,937,879	7,087,002	2.81x	21,897,489	9,046,612	12,850,878	2.42x
8/1/2013	6,459,836	1,239,617	5,220,219	5.21x	5,220,219	16,680,629	21,900,849	7,096,773	3.09x	23,140,465	8,336,390	14,804,078	2.78x
8/1/2014	6,916,099	1,254,761	5,661,339	5.51x	5,661,339	17,985,097	23,646,436	7,107,371	3.33x	24,901,197	8,362,132	16,539,065	2.98x
8/1/2015	7,274,435	1,239,014	6,035,420	5.87x	6,035,420	18,297,139	24,332,559	7,113,455	3.42x	25,571,573	8,352,469	17,219,104	3.06x
8/1/2016	7,401,199	1,059,067	6,342,132	6.99x	6,342,132	18,462,019	24,804,151	6,795,925	3.65x	25,863,218	7,854,992	18,008,226	3.29x
8/1/2017	7,730,715	1,053,960	6,676,755	7.33x	6,676,755	17,523,138	24,199,893	6,805,808	3.56x	25,253,853	7,859,768	17,394,085	3.21x
8/1/2018	7,709,773	845,648	6,864,125	9.12x	6,864,125	14,788,825	21,652,950	6,807,179	3.18x	22,498,598	7,652,827	14,845,771	2.94x
8/1/2019	7,609,671	846,701	6,762,970	8.99x	6,762,970	13,342,955	20,105,925	6,838,819	2.94x	20,952,626	7,685,520	13,267,106	2.73x
8/1/2020	7,508,951	846,370	6,662,582	8.87x	6,662,582	13,192,320	19,854,902	6,848,098	2.90x	20,701,271	7,694,468	13,006,804	2.69x
8/1/2021	7,401,297	844,878	6,556,420	8.76x	6,556,420	12,153,233	18,709,653	6,862,197	2.73x	19,554,531	7,707,075	11,847,456	2.54x
8/1/2022	7,296,673	846,919	6,449,755	8.62x	6,449,755	10,916,703	17,366,458	6,880,832	2.52x	18,213,376	7,727,751	10,485,626	2.36x
8/1/2023	6,921,581	502,440	6,419,141	13.78x	6,419,141	9,488,132	15,907,274	6,888,847	2.31x	16,409,713	7,391,287	9,018,427	2.22x
8/1/2024	6,809,972	503,677	6,306,296	13.52x	6,306,296	8,428,082	14,734,375	6,906,018	2.13x	15,238,056	7,409,694	7,828,361	2.06x
8/1/2025	6,698,481	508,902	6,189,580	13.16x	6,189,580	8,182,920	14,372,500	6,920,364	2.08x	14,881,401	7,429,265	7,452,136	2.00x
8/1/2026	6,580,451	508,209	6,072,242	12.95x	6,072,242	8,013,721	14,085,964	6,942,874	2.03x	14,594,173	7,451,083	7,143,090	1.96x
8/1/2027	4,937,791	396,700	4,541,091	12.45x	4,541,091	7,326,545	11,867,636	3,826,500	3.10x	12,264,336	4,223,200	8,041,136	2.90x
8/1/2028	4,768,460	399,955	4,368,505	11.92x	4,368,505	5,359,947	9,728,452	3,837,783	2.53x	10,128,407	4,237,738	5,890,669	2.39x
8/1/2029	4,598,961	397,454	4,201,507	11.57x	4,201,507	5,047,624	9,249,131	3,862,569	2.39x	9,646,585	4,260,023	5,386,562	2.26x
8/1/2030	5,243,901	256,796	4,987,105	20.42x	4,987,105	4,308,631	9,295,736	2,442,518	3.81x	9,552,532	2,699,314	6,853,218	3.54x
8/1/2031	5,180,939	256,221	4,924,718	20.22x	4,924,718	3,309,391	8,234,109	2,441,943	3.37x	8,490,330	2,698,164	5,792,166	3.15x

<sup>(1)</sup> Includes loan interest repayments and interest earnings on funds.

<sup>(2)</sup> Consists of loans in repayment, approved loans as of March 31, 2010 and projected loans to be made through January 1, 2011.

## *Reserve Funds*

The Series 2010 Bond Anticipation Notes are not secured by a pledge of or lien on amounts on deposit in either Reserve Fund. However, the Existing Bonds (other than the Series 2004 Bonds; Series 2005 Bonds and Series 2008 Bonds) are secured by certain amounts on deposit in the Reserve Fund and additional Bonds may be similarly secured.

The Drinking Water SRF and the Clean Water SRF each contain a Reserve Fund which has three accounts: the State Match Reserve Account, the Restricted Reserve Account and the Unrestricted Reserve Account. The Prior Indentures establish two reserve requirements applicable to Existing Bonds (other than the Series 2004 Bonds, Series 2005 Bonds and Series 2008 Bonds). The amounts on deposit in the existing subaccounts of the Reserve Funds secure solely the debt service on such Existing Bonds and shall not secure debt service on any of the Series 2004 Bonds, Series 2005 Bonds, Series 2008 Bonds and Series 2010 Bond Anticipation Notes. See “**APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE –Funds and Accounts –Reserve Fund**” herein.

The Master Indenture and future Series Resolutions may require certain further deposits to the credit of specific Subaccounts of the State Match Reserve Accounts and Restricted Reserve Accounts in connection with the issuance of additional Bonds and the specific allocation of such deposits depending upon the amount of the State Match Portions and the Leveraged Portions of debt service on such Bonds. The Restricted Reserve Accounts may also be funded under certain circumstances from amounts on deposit in the Restricted Revenue Accounts or from available funds under the Capitalization Grants. The Unrestricted Reserve Accounts may be funded under certain circumstances by transfers from the Unrestricted Revenue Accounts or with interest earnings on certain specified funds and accounts.

For the Existing Bonds (other than the Series 2004 Bonds, the Series 2005 Bonds and the Series 2008 Bonds), the applicable Subaccounts within each Reserve Fund are required to maintain (A) a “State Match Reserve Requirement” and (B) a “Total Reserve Requirement”. For such Existing Bonds, (A) the State Match Reserve Requirement means the largest amount of the State Match Portion of principal (including Sinking Fund Installments) and interest due with respect to the State Match Portion of such Existing Bonds Outstanding under the Master Indenture in the then current or any succeeding calendar year which are secured by amounts on deposit in specific Subaccounts of the State Match Reserve Account and Unrestricted Reserve Account for such Existing Bonds and (B) the “Total Reserve Requirement” means the largest amount of principal (including Sinking Fund Installments) and interest due with respect to the Clean Water Portions or Drinking Water Portions, as applicable, of all such Existing Bonds Outstanding under the Master Indenture in the then current or any succeeding calendar year which are secured by amounts on deposit in specific Subaccounts of the Reserve Fund for such Existing Bonds.

Under the Master Indenture, the District has covenanted to establish and maintain each Reserve Fund in an amount equal to the applicable Total Reserve Requirement for such Existing Bonds and to maintain the aggregate amount in the Unrestricted Reserve Account and the State Match Reserve Account of each Reserve Fund in an amount not less than the applicable State Match Reserve Requirement, and subject to the right of the District to elect to issue Series of Bonds or a portion thereof without any reserve requirement on a case by case basis.

If required by a Series Resolution, a deposit will be made to a specific Subaccount of the Restricted Reserve Account and the State Match Reserve Account of each Reserve Fund at the time of issuance of each series of Bonds in an amount to be specified by such Series Resolution.

***Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF; Limited Cross-Collateralization***

The Master Indenture implements certain provisions of federal law relating to what is commonly referred to as “cross-collateralization” of Clean Water and Drinking Water SRFs. The Master Indenture provides for limited reciprocal relationships between the Clean Water SRF and Drinking Water SRF in the form of subordinated loans between the Clean Water SRF and the Drinking Water SRF, if necessary to cover certain deficiencies. In the event on any Bond Payment Date amounts available in the funds and accounts with respect to either the Clean Water SRF or the Drinking Water SRF are insufficient to pay their respective portion of principal of or interest on Bonds then due and payable, the Trustee shall transfer to the deficient Bond Fund an amount sufficient to remedy such deficiency from the following sources in the following order (and such application is expressly required to be made by the Master Indenture prior to application of any Excess Revenues of either Program to the payment of principal or interest on any Outstanding Notes):

- a) First, from any funds on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount of the Revenue Fund of the other SRF to the extent necessary, together with other funds available, to pay the deficient Leveraged Portion of principal and interest on Bonds then due.
- b) Second, from the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Revenue Fund of the other SRF to the extent necessary, together with other funds available, to pay the deficient State Match Portion of principal and interest on Bonds then due.
- c) Third, from Excess Unrestricted Revenues of the other SRF.

The “Excess Unrestricted Revenues” of a State Revolving Fund are any amounts on deposit in the Unrestricted Cumulative Excess Interest Repayments Subaccount and any investment income earned on various Funds and Accounts which is not required to be maintained therein or otherwise transferred under the Master Indenture.

In the event funds are at anytime transferred from one State Revolving Fund to the other, the State Revolving Fund from which the transfer was made shall reimburse to such State Revolving Fund the amounts so advanced (with or without interest thereon, as the District may determine in its discretion), on a basis subordinate to the payments of debt service obligations of the State Revolving Fund from which the transfer was made. Such reimbursement shall be made only from funds on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount or the Unrestricted Cumulative Excess Interest Repayments Subaccount, and from other Excess Unrestricted Revenues of the State Revolving Fund which received the transferred funds.

In addition to the foregoing, balances in the Restricted Cumulative Excess Principal Repayments Subaccount and the Unrestricted Cumulative Excess Interest Repayments Subaccount may be transferred from one State Revolving Fund to the other as the District may direct, subject to certain coverage requirements and EPA limits and approvals.

***Additional Bonds or Notes***

Pursuant to the provisions of the Master Indenture, additional Bonds or Notes may be issued thereunder if certain conditions are met including, but not limited to (except in the case of (A) refunding Bonds issued to pay principal of or interest on Bonds for the payment of which sufficient funds are not expected to be available and (B) Bonds issued to refund Notes) a Coverage Certificate with supporting

schedules, estimating that, as of each Bond Year, Projected Revenues available for deposit (i) in the State Match Bond Accounts of the Bond Funds will, in the aggregate, equal an amount which will be no less than 120% of the amount necessary to pay the State Match Portion of principal and interest due on each Bond Payment Date on (x) all Bonds then Outstanding (except Bonds and Notes and interest thereon to be refunded from the proceeds of the Bonds or Notes to be issued), (y) the State Match Portion of Bonds to be issued, and (z) principal and interest estimated to be due and payable on Refunding Bonds to be issued as State Match Portion Refunding Bonds to refund Notes (such debt service to be estimated and calculated as described in the next paragraph), and (ii) in the Leveraged Bond Accounts of the Bond Funds (including, for such purposes, the amounts on deposit in the Unrestricted Interest Repayments Accounts of the Bond Funds and not otherwise required to pay the State Match Portion of principal and interest due on such Bond Payment Date) will, in the aggregate, equal an amount which will be no less than 120% of the amount necessary to pay the Leveraged Portion of principal and interest due on each Bond Payment Date on (x) all Bonds then Outstanding (except Bonds and Notes and interest thereon to be refunded from the proceeds of the Bonds or Notes to be issued), (y) the Leveraged Portion of Bonds to be issued and (z) principal and interest estimated to be due and payable on Refunding Bonds to be issued as Leveraged Portion Refunding Bonds to refund Notes (such debt service to be estimated and calculated as described in the next paragraph). For this purpose, interest payable on any future Bond Payment Date with respect to (x) any Bonds or proposed Bonds to which a Qualified Interest Rate Agreement applies is to be calculated as provided under “Hedging Transactions” below and the applicable Series Resolution and (y) any Variable Rate Bonds shall be calculated as provided under “Hedging Transactions” and “Variable Rate Bonds” below and the related Series Resolution.

The Master Indenture provides that for purposes of calculating the State Match Portion and Leveraged Portion of debt service any Coverage Certificate (A) shall disregard principal and interest due or to become due with respect to any Notes which shall be Outstanding during any such period and (B) shall include estimated principal and interest amounts to become due as a result of the issuance of Refunding Bond the proceeds of which are to be used to pay the redemption price of such Notes; provided, if notes are to be issued to refund Outstanding notes, the principal and interest on such refunding Notes shall be taken into account for the period such Notes are expected to remain Outstanding. For purposes of such estimates, the Coverage Certificate shall assume such Refunding Bonds shall be issued on a date within three months of the stated maturity date of the Notes to be refunded, with substantially level annual debt service for a stated term of not to exceed twenty-five years, and bearing interest at a rate or rates which are 100 basis points (1.0% per annum) in excess of the then applicable rates for comparable maturities of municipal bonds of comparable credit rating as set forth in a nationally recognized municipal market publication, including, without limitation, interest rate scales published by Municipal Market Data, a divisions of Thomson Reuters, any successor or any other similar nationally recognized service.

Projected Revenue for each Fund as of the date of a Coverage Certificate means (i) the scheduled principal and interest payments on all Loan Obligations held by the Trustee for the applicable SRF or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal and interest on Loan Obligations which either (A) are then in Default in the payment of principal or interest or (B) failed to meet the Credit Standard at the time the Loan Obligations were acquired and, if such Loan Obligation is secured solely by net revenues of a utility, also failed to meet the Credit Standard during both of the last two complete fiscal years, and (ii) all other amounts (excluding required balances in the Reserve Fund) which the District reasonably estimates will be received on investments of Loan Obligations and amounts then held or expected to be deposited in any Fund or Account of that SRF under the Master Indenture, including amounts which are reasonably expected to be drawn under the Letter of Credit. Investment Obligations are required to be valued at market value, or, in the case of guaranteed investment contracts, the face amount thereof.



### ***Qualified Interest Rate Agreements***

The Master Indenture provides that obligations of the District with respect to a “Qualified Interest Rate Agreement” may be secured on a parity with debt service on the Outstanding Bonds. A “Qualified Interest Rate Agreement” means any interest rate exchange agreement; contract providing for payment or receipt of funds based on levels of or changes in interest rates; contract to exchange cash flows or series of payments; or contracts incorporating interest rate caps, collars, floors, or locks between the District and a counterparty (i) which agreement is either approved by or, following review of such agreement, the rating upon all affected Bonds is confirmed by, each Rating Agency and (ii) under which the District agrees to pay the counterparty an amount calculated at an agreed-upon rate or index based upon a notional amount and the counterparty agrees to pay the District for a specific period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where the counterparty, or the person who guarantees the obligation of the counterparty to make its payments to the District, has unsecured obligations rated, as of the date the agreement is entered into, in one of the two highest applicable rating categories by each Rating Agency then rating such counterparty or person who guarantees such obligation, but only if any such Rating Agency is then rating (1) bonds secured by such agreements of the counterparty or (2) the Series of Bonds to which such agreement may be related. To date the District has not entered into any such agreements.

### ***Tender Option Bonds***

The District may issue Bonds subject to tender at the option of the Holder if the payment of the purchase price of tendered Bonds is to be provided pursuant to a Liquidity Support Facility provided by a Liquidity Provider with obligations rated at the time of issuance of the Bonds in one of the three highest short-term rating categories assigned by any Rating Agency. Such Bonds may be made subject to the terms set forth in the Series Resolution authorizing the issuance of such Bonds.

### ***Hedging Transactions***

If the District enters into a Qualified Interest Rate Agreement with a counterparty requiring the District to pay either a fixed interest rate or a variable interest rate on a notional amount and the District has determined that the Qualified Interest Rate Agreement was entered into to provide substitute interest payments for Bonds in a principal amount equal to the notional amount of the Qualified Interest Rate Agreement, then during the term of the Qualified Interest Rate Agreement and so long as the Counterparty is not in default:

(i) for purposes of any calculation of interest with respect to the Bonds, the interest rate on the Bonds shall be determined as if such Bonds bore interest at the fixed interest rate or the variable interest rate, as the case may be, payable by the District under the Qualified Interest Rate Agreement;

(ii) for purposes of any calculation of interest with respect to proposed Bonds, the interest rate shall be determined as if such proposed Bonds are proposed to bear interest upon issuance at the fixed interest rate or the variable interest rate, as the case may be, payable by the District under the Qualified Interest Rate Agreement;

(iii) any net payments (other than Termination Payments) required to be made by the District to the Counterparty may be made in the same manner as and secured on a parity with interest payments on the related Bonds as provided in the Indenture Documents and any related Series Resolution;

(iv) any payments designated as “amounts due in the ordinary course” shall be treated as interest on a Loan and deposited to the credit of the appropriate Account within the Revenue Fund;

(v) any upfront payments received by the District from the Counterparty at the time of execution and delivery of the Qualified Interest Rate Agreement shall be treated as interest on a Loan and deposited to the credit of the appropriate Account within the Revenue Fund;

(vi) any Termination Payments due from the District shall be payable solely from Excess Clean Water Revenues, Excess Drinking Water Revenues and such other source, as shall be provided for in the applicable Series Resolution; and

(vii) any Termination Payments due from the counterparty shall be treated as interest on a Loan and deposited to the credit of the appropriate Account within the Revenue Fund.

If the District enters into an Interest Rate Agreement that does not satisfy the requirements for a Qualified Interest Rate Agreement (a) the interest rate adjustments or assumptions referred in clause (i) above shall not be made; (ii) any payments required to be made by the District to the Counterparty (including Termination Payments) pursuant to such Interest Rate Agreement must be made only from Excess Clean Water Revenues or Excess Drinking Water Revenues; and (iii) any payments received by the District from the Counterparty pursuant to such hedge agreement shall be treated as interest on a Loan and deposited to the credit of the appropriate Account within the Revenue Fund.

### ***Variable Interest Rates***

For purposes of computing the interest payable on any Variable Rate Bonds, unless the applicable Series Resolution or Bond Order provides to the contrary, the rate of interest shall be assumed to be equal, as applicable, either (i) if such Variable Rate Bonds have been or are to be issued as obligations exempt from federal income taxation, the monthly average SIFMA Municipal Swap Index during the 5 years (i.e. most recent 60 complete months) preceding the date of such calculation or (ii) if such Variable Rate Bonds have been or are to be issued as obligations subject to federal income taxation, the monthly average LIBOR during the 5 years (60 complete months) preceding the date of such calculation, provided that no such rate shall at any time exceed the maximum rate then permitted by law for obligations of the District.

### ***Liquidity Facilities***

The District reserves the right to enter into Liquidity Support Facility arrangements with regard to Bond issues which give the owners of Bonds the right to require purchase thereof in order to secure payment of the purchase price of such Bonds. In connection with any such Liquidity Support Facility, the District may execute and deliver an agreement setting forth the conditions upon which drawings or advances may be made and the method by which the District will reimburse the Liquidity Provider. Any and all amounts payable by the District to reimburse the Liquidity Provider, other than Bond Fees, together with interest thereon, shall be deemed to constitute the payment of principal of, premium, if any, and interest on such Bonds. Before entering into or obtaining the benefit of any Liquidity Support Facility with respect to any Bonds, the District shall notify each Rating Agency and the Trustee in writing of its intention to execute and deliver such Liquidity Support Facility at least 15 days before the execution and delivery thereof.

The District has entered into a Liquidity Support Facility arrangement with US Bank, N.A., in connection with the Series 2008 Bonds (the "Series 2008 Liquidity Facility"). The Series 2008 Liquidity Facility expires on March 1, 2013 or sooner upon the occurrence of certain events.

Notwithstanding anything in the Indenture Documents to the contrary, (a) any Series Resolution authorizing the execution by the District of a Liquidity Support Facility may include provisions with respect to the application and use of all amounts to be paid thereunder; and (b) no amounts paid under a

Liquidity Support Facility shall be part of the pledge and lien granted under the Indenture Documents and no Person shall have any rights with respect to any such amounts so paid except as specifically provided in such Series Resolution.

### ***Absence of Acceleration Remedy***

The remedies available to the holders of Bonds and Notes do not include a right of acceleration in the event of a default under the Master Indenture. Accordingly, in the event of revenue shortfalls, the amounts on deposit in any or all of the Subaccounts within the Reserve Fund for each SRF may be exhausted prior to the due date of principal on certain of the later maturing Bonds.

## **DESCRIPTION OF THE SERIES 2010 BOND ANTICIPATION NOTES**

### ***Purpose and Authority***

The Series 2010 Bond Anticipation Notes are being issued pursuant to the Act, the Master Indenture and the Series Resolution adopted by the Board of Water and Natural Resources of the State of South Dakota.

Proceeds of the Series 2010 Bond Anticipation Notes will be used by the District to pay the principal of the Series 2009 Notes on September 10, 2010 and to pay certain costs of issuance relating to the Series 2010 Bond Anticipation Notes. The proceeds of the Series 2009 Notes have been and will be used to make Loans and pay certain issuance costs. See “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

### ***Terms of the Series 2010 Bond Anticipation Notes***

The Series 2010 Bond Anticipation Notes will be dated the date of delivery and will mature on the date set forth on the inside cover page of this Official Statement. Interest on the Series 2010 Bond Anticipation Notes will be paid on March 31, 2011 and at maturity. Principal is payable at maturity or at an earlier redemption at the principal corporate trust office of the Trustee. The Series 2010 Bond Anticipation Notes are not subject to redemption prior to their stated maturity.

### ***Book-Entry Only System***

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the Series 2010 Bond Anticipation Notes (the “Notes”). The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered certificate will be issued in the aggregate principal amount of the Series 2010 Bond Anticipation Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National

Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. if less than all of the Notes within an issue are being redeemed. (DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.)

Neither DTC nor Cede & Co. will consent or vote with respect to Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on the payable date in accordance with their respective holdings shown on DTC’s records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the

event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

## **TAX EXEMPTION**

### ***General***

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions that apply to the Series 2010 Bond Anticipation Notes from and after the date of issuance of the Series 2010 Bond Anticipation Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Series 2010 Bond Anticipation Note proceeds and the facilities financed or refinanced therewith, and certain other matters. The District has covenanted in the Master Indenture and the Borrowers will be required to covenant in the Loan Agreements to comply with all requirements of the Code that must be satisfied in order for interest on the Series 2010 Bond Anticipation Notes and the Loan Obligations to be excludable from gross income. Failure to comply with certain of such covenants could cause interest on the Series 2010 Bond Anticipation Notes to become includable in gross income retroactive to the date of issuance of the Series 2010 Bond Anticipation Notes.

Subject to the condition that the District and the Borrowers comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel, the Series 2010 Bond Anticipation Notes are not "private activity bonds" under the Code, and interest on the Series 2010 Bond Anticipation Notes is excludable from gross income of the owners thereof for federal income tax purposes. Interest on the Series 2010 Bond Anticipation Notes will not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District, the Borrowers and certain other parties with respect to certain material facts solely within their knowledge relating to the facilities to be financed or refinanced with the Series 2010 Bond Anticipation Notes, the application of the proceeds of the Series 2010 Bond Anticipation Notes and certain other matters pertinent to the tax exemption of the Series 2010 Bond Anticipation Notes.

Ownership of the Series 2010 Bond Anticipation Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, (i) corporations subject to the branch profits tax, (ii) financial institutions, (iii) certain insurance companies, (iv) certain Subchapter S corporations, (v) individual recipients of Social Security or Railroad Retirement benefits, (vi) taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, and (vii) individuals otherwise eligible for the earned income tax credit. Prospective purchasers of the Series 2010 Bond Anticipation Notes should consult their tax advisors as to the applicability of any such collateral consequences.

If a Series 2010 Bond Anticipation Note is purchased at any time for a price that is less than the Series 2010 Bond Anticipation Note's stated redemption price at maturity, the purchaser may be treated as having purchased a Series 2010 Bond Anticipation Note with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is

treated as taxable ordinary income and is recognized when a Series 2010 Bond Anticipation Note is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2010 Bond Anticipation Note. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2010 Bond Anticipation Notes.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2010 Bond Anticipation Notes may affect the tax status of interest on the Series 2010 Bond Anticipation Notes. It is possible that future legislation or amendments to the Code, if enacted into law, will contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2010 Bond Anticipation Notes from gross income for federal income tax purposes.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the IRS or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

#### ***Not Qualified Tax-Exempt Obligations***

The Series 2010 Bond Anticipation Notes will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from gross income for federal income tax purposes interest expense that is allocable to acquiring and carrying tax-exempt obligations.

### **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement the District will agree to provide notice of certain material events and certain annual financial information for the State Revolving Fund Program and each "obligated person" within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, as it may be amended from time to time. The District has complied with its existing obligations to provide annual financial information pursuant to continuing disclosure undertakings for its outstanding Bonds.

The "obligated persons" are considered to be the District and each Borrower for which the unpaid principal amount of Loan Obligations plus the principal amount of undisbursed funds exceeds 20% of the unpaid principal amount of outstanding Loan Obligations under the Clean Water Program or Drinking Water Program. At present and after origination of the expected loans described in Appendix C, there are no obligated persons other than the District and the City of Sioux Falls. Certain information relating to the City of Sioux Falls is set forth or referenced in Appendix D. The form of Continuing Disclosure Agreement is set forth in Appendix F. Reference is made to Appendix F for a description of the information to be provided, the rights of the beneficial owners of Series 2010 Bond Anticipation Notes and the conditions for amendment of the Agreement.

## **RATINGS**

Moody's Investors Service, Inc. and Standard & Poor's Public Finance Ratings have assigned short-term ratings of "MG-1 and "SP-1+", respectively, to the Series 2010 Bond Anticipation Notes. The ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from such rating agencies. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigation, studies and assumptions by the rating agencies. A security's rating is not a recommendation to buy, sell or hold securities. The ratings of the Series 2010 Bond Anticipation Notes represent a judgment as to the likelihood of timely payment of the Series 2010 Bond Anticipation Notes according to their terms, but do not address the likelihood of redemption or acceleration prior to maturity.

There is no assurance that such ratings will remain in effect for any given period of time or that such ratings may not be lowered, suspended or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward change in or suspension or withdrawal of a rating may have an adverse effect on the market price and marketability of the Series 2010 Bond Anticipation Notes.

## **ABSENCE OF LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2010 Bond Anticipation Notes, or prohibiting the District from making Loans to Borrowers or purchasing Loan Obligations with the proceeds of the Series 2010 Bond Anticipation Notes, or in any way contesting or affecting the validity of any Series 2010 Bond Anticipation Notes or any proceedings of the District taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2010 Bond Anticipation Notes or the existence or necessary powers of the District.

## **LEGAL MATTERS**

The Series 2010 Bond Anticipation Notes offered hereby are subject to the approving legal opinion of Perkins Coie LLP, Chicago, Illinois, as Bond Counsel. The opinion of Bond Counsel will be in substantially the form attached to this Official Statement as Appendix E. The District and the Board have been represented in connection with the Series 2010 Bond Anticipation Notes and the Program by the office of the Attorney General of South Dakota.

## **FINANCIAL ADVISOR**

The District has retained Public Financial Management, Inc., of Minneapolis, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2010 Bond Anticipation Notes. The Financial Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2010 Bond Anticipation Notes.

**UNDERWRITING**

The Series Bond Anticipation 2010 Notes have been purchased by J.P. Morgan Securities LLC (the “Underwriter”) at an aggregate purchase price of \$55,134,084. The Underwriter may offer and sell the Series 2010 Bond Anticipation Notes to certain dealers (including dealers depositing the Series 2010 Bond Anticipation Notes into investment trusts) and others at prices lower than the public offering prices set forth in the table above. After the initial public offering, the public offering price may be changed from time to time by the underwriter.

**MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District or the purchasers or holders of any of the Series 2010 Bond Anticipation Notes.

**SOUTH DAKOTA CONSERVANCY DISTRICT**

By:     /s/ Brad Johnson      
Chairman



**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE**

The following includes a brief summary of certain provisions of the Master Indenture and is not to be considered as a full statement of the provisions of the Master Indenture. The summary is qualified by reference to and is subject to the complete Master Indenture, the Supplemental Indenture relating to the Series 2008 Bonds, the Series Resolution authorizing the Series 2010 Bond Anticipation Notes and all prior Series Resolutions with respect to any Bonds Outstanding, copies of which may be examined at the offices of the District.

**Selected Definitions**

The following words and terms as used in this Official Statement shall have the following meanings unless the context or use indicates another or different meaning or intent:

“Account” or “Accounts” means one or more of the special accounts or subaccounts created and established within any Fund hereunder pursuant to any Series Resolution or otherwise in accordance with the provisions of the Master Indenture.

“Act” means SDCL Chapters 46A-1 and 46A-2, as amended from time to time together with the administrative rules promulgated thereunder and then in effect.

“Adjusted Leveraged Portion” with respect to a series of Bonds or Notes means, on and after the Transfer Date for such series of Bonds or Notes, a fraction the numerator of which is the sum of (A) all proceeds of such series deposited to the Leveraged Loan Account plus (B) all proceeds of such series later transferred from the Bond Proceeds Account to the Leveraged Loan Account and the denominator of which is the sum of all proceeds of such series initially deposited to the Bond Proceeds Account, the Leveraged Loan Account and the State Match Loan Account.

“Adjusted State Match Portion” with respect to a series of Bonds or Notes means, on and after the Transfer Date for such series of Bonds or Notes, a fraction the numerator of which is the sum of (A) all proceeds of such series deposited to the State Match Loan Account plus (B) all proceeds of such series later transferred from the Bond Proceeds Account to the State Match Loan Account and the denominator of which is the sum of all proceeds of such series initially deposited to the Bond Proceeds Account, the Leveraged Loan Account and the State Match Loan Account.

“Adjusted Projected Revenues” means, as of the date of a Coverage Certificate submitted by the District to the Trustee in connection with a request under the Master Indenture (i) the scheduled principal and interest payments on all Loan Obligations for a Program held by the Trustee or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal and interest on Loan Obligations or other assets which (A) are then in default in the payment of principal or interest, (B) failed to meet the Credit Standard in effect at the time the Loan Obligations were acquired and, if a revenue obligation payable from net revenues of a utility, also failed to meet the coverage requirement of the applicable Credit Standard during both of the last two complete fiscal years or (C) are proposed as Released Obligations under the Master Indenture or proposed to be prepaid under Section 6.08(b) of the Master Indenture, and (ii) the principal and interest which the District reasonably estimates will be received on Loan Obligations and investments of all other amounts then held or expected to be deposited in any Fund or Account for such Program under the Master Indenture (unless and to the extent that such

earnings would be derived from Released Obligations under of the Master Indenture), including amounts which are reasonably expected to be drawn under the Letter of Credit for such Program.

“Administration Funds” means the Clean Water Administration Fund and the Drinking Water Administration Fund.

“Administrative Expense Surcharge” means a surcharge on each Loan charged by the District to each Borrower, which may be payable by the Borrower on the same dates that payments of interest on its Loan are due but which will not constitute principal of or interest on the Loan, which surcharge shall be deposited and applied as provided in the Master Indenture.

“Allocable Portion” with respect to any Series of Bonds or Notes, means the respective percentages of the aggregate principal amount of such Series of Bonds or Notes issued to finance Clean Water Loans or Drinking Water Loans.

“Amortized Value” means, when used with respect to securities purchased at a premium above or a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to the first call date (if purchased at a premium) or the maturity date (if purchased at a discount) of such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

“Annual Prepayment Amount” shall mean, for each Program, the greater of (a) \$5,000,000 or (b) 5% of the unpaid principal amount of Loan Obligations as of the most recent August 1.

“Applicable EPA Agreement” means any and all capitalization grant agreements, operating agreements, and other agreements between the District or the Department and the EPA relating to a specific Program and the use of moneys governed by such agreements.

“ARRA” means the American Recovery and Reinvestment Act of 2009, as hereafter amended or supplemented.

“Authorized Denominations” when used with respect to the Series 2010 Bond Anticipation Notes, means \$100,000 and any integral multiple of \$5,000 in excess of \$100,000.

“Authorized Representative” means the Chairman of the District, the Secretary of the Department or any other officer expressly authorized by the Board of Water and Natural Resources to act on behalf of the District with respect to the Bonds, the Notes or the Master Indenture.

“Board of Water and Natural Resources” means the Board of Water and Natural Resources created pursuant to SDCL §1-40-5 or any other board or public entity which succeeds to the powers, duties or functions of the Board of Water and Natural Resources with respect to the Program, the Bonds and the Notes.

“Bond” or “Bonds” means any Existing Bonds which are Outstanding under the Master Indenture together with all Outstanding Bonds of the District issued pursuant to a Series Resolution, the Act and the Master Indenture.

“Bond Anticipation Notes” means any series of notes issued and Outstanding under the Master Indenture and which the Series Resolution identifies the principal thereof as being payable principally out of the proceeds of a future Series of Bonds.

“Bond Counsel” means any attorney or firm of attorneys of recognized standing in the field of municipal law, duly admitted to the practice of law before the highest court of any state of the United States of America, appointed from time to time by the Board of Water and Natural Resources with respect to the District.

“Bond Fees” means all fees and charges incurred by the District relating to the issuance, tender or remarketing of Variable Rate Bonds or the provision of liquidity in connection with Variable Rate Bonds, including, without limitation, the fees, costs, expenses, premiums and charges (but excluding costs of issuance) of any Rating Agency, remarketing agent, tender agent, liquidity provider or other party in connection with Variable Rate Bonds.

“Bond Funds” means the Clean Water Bond Fund and the Drinking Water Bond Fund.

“Bondholder” or “Holder” or “Holders of Bonds” or “Owner” or similar term when used with respect to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond.

“Bond Order” means either (a) a supplemental indenture or (b) a certificate authorized by a Series Resolution to be executed and delivered by two Authorized Representatives of the District for the purposes of determining final terms, conditions or other details with respect to a Series of Bonds or Notes and related matters. An executed counterpart of any Bond Order shall be filed in the official records of the District.

“Bond Payment Date” means any date on which principal or interest or Redemption Price is due and payable on any Bonds or Notes.

“Bond Proceeds Accounts” means the Bond Proceeds Accounts established within the Loan Funds with respect to the proceeds of a specific series of Bonds or Notes.

“Bond Year” means the period beginning on August 2 of any year through August 1, of the succeeding year, provided that the first Bond Year for any Series of Bonds or Notes shall commence on the date of original issuance of a Series of Bonds or Notes and extend through the next August 1.

“Borrower” means a Political Subdivision, any other owner of a public water supply system, state agency, instrumentality, or other person who is eligible to receive loan assistance from the District under a Program.

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

“Clean Water Administration Fund” means the Clean Water Administration Fund established under the Master Indenture and described in Section 5.03 of the Master Indenture.

“Clean Water Bond Fund” means the Clean Water Bond Fund established under the Master Indenture.

“Clean Water Letter of Credit” means the Letter of Credit or any other funding arrangement for capitalization grants by the United States of America pursuant to the Clean Water Act for the benefit of the State of South Dakota.

“Clean Water Loan” means any loan made by the District to a Borrower as part of the Clean Water Program and evidenced by a Loan Agreement.

“Clean Water Loan Fund” means the Clean Water Loan Fund established under the Master Indenture.

“Clean Water Portion” means all of the principal and interest on the Outstanding Existing Bonds issued under the Original Clean Water Indenture and the Allocable Portion of the principal and interest on other Bonds or Notes of a Series equal to a portion of the proceeds deposited into the Clean Water Fund in accordance with Section 4.01 of the Master Indenture, including, without limitation, any amounts required to be paid with respect to Qualified Interest Rate Agreements.

“Clean Water Program” means the District’s Clean Water State Revolving Fund Program under the Clean Water Act and the Act.

“Clean Water Program Subfund” means the State Revolving Fund established under the Master Indenture in accordance with the Clean Water Act and the Act.

“Clean Water Reimbursement Obligation” means the obligation of the District under Section 5.13 of the Master Indenture to reimburse the Clean Water Program Subfund for any amounts transferred to the Drinking Water Bond Fund pursuant to Section 5.04(d)(1)(iii) or (e)(1)(v) of the Master Indenture, as applicable, to pay the Drinking Water Portion of principal and interest on Bonds when due.

“Clean Water Reserve Fund” means the Clean Water Reserve Fund established under the Master Indenture.

“Clean Water Revenue Fund” means the Clean Water Revenue Fund established under the Master Indenture.

“Clean Water State Match Portion” means, with respect to the Clean Water Portion of any principal or interest on any Bonds or Notes, the portion of such principal or interest of a Series of Bonds or Notes equal to a portion of the proceeds deposited into the Clean Water Fund in accordance with Section 4.01 of the Master Indenture.

“Clean Water State Match Reserve Requirement” shall have the meaning assigned in any Series Resolution, except that for Existing Bonds it shall mean the largest amount of the State Match Portion of the Clean Water Portion of principal (including Sinking Fund Installments) and interest in the then current or any succeeding calendar year on all Existing Bonds (or the relevant portion of debt service on all Existing Bonds) which are secured by a lien on or pledge of amounts on deposit in the State Match Reserve Account or the Unrestricted Reserve Account of the Clean Water Reserve Fund and are Outstanding under the Master Indenture.

“Clean Water Total Reserve Requirement” shall have the meaning assigned in any Series Resolution, except that for Existing Bonds it shall mean the largest amount of the Clean Water Portion of principal (including Sinking Fund Installments) and interest in the then current or any succeeding calendar year on all Existing Bonds (or the relevant portion of debt service on Bonds) which are secured by a lien on or pledge of amounts on deposit in the Clean Water Reserve Fund and are Outstanding under the Master Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or officially proposed to be promulgated thereunder.

“Costs of Issuance” means any and all items of expense payable or reimbursable directly or indirectly by the District and related to the authorization, sale and issuance of Bonds or Notes, which items of expense shall include but not be limited to printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, initial letter of credit fees, surety obligation fees or other similar fees, municipal bond insurance premiums or the costs of providing any Credit Enhancement, and initial costs or payments with respect to the entering into of any Interest Rate Agreement, legal fees and charges, professional consultants’ fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds or Notes, underwriter discount or placement fees, and other costs, charges and fees in connection with the original issuance of Bonds or Notes.

“Counterparty” means any counterparty with which the District enters into an Interest Rate Agreement.

“Counterparty Payment” means a payment due to a Counterparty from the District pursuant to an Interest Rate Agreement (including, but not limited to, Termination Payments).

“Coverage Certificate” means a projection prepared by or on behalf of the District showing schedules of the Projected Revenue and of the principal and interest payments on the Bonds at the time Outstanding and to be issued. Such Coverage Certificate may be prepared by or on behalf of the District, signed by an Authorized Representative and filed with the Trustee.

“Credit Enhancement” means any municipal bond insurance, letter of credit, surety obligation or bond purchase agreement (or any combination thereof) issued to secure the prompt payment of the principal of and interest on any Series of Bonds or Notes.

“Credit Enhancement Provider” means any issuer or other obligor with respect to any Credit Enhancement.

“Credit Standard” means the credit criteria established from time to time by the Board of Water and Natural Resources for the making of Loans by the District from the Leveraged Loan Account, the State Match Loan Account or the Federally Capitalized Loan Account of either Loan Fund.

“Default” means any failure to perform any term or condition of the Master Indenture which, after notice or the passage of time, may become an Event of Default.

“Defeasance Obligations” means direct obligations of the United States of America or, if permitted by the Act, any other Investment Obligation described in clause (a) of the definition of “Investment Obligations” in the Master Indenture.

“Department” means the Department of Environment and Natural Resources of the State of South Dakota or such other agency or department which succeeds to the powers, duties or functions of the Department of Environment and Natural Resources with respect to a Program.

“Depository” means The First National Bank in Sioux Falls and any other bank, trust company, national banking association or savings institution selected by the District and approved by the Trustee and qualified under all applicable laws as a depository of moneys and securities held under the provisions of the Master Indenture, and its successor or successors.

“District” means the South Dakota Conservancy District, a governmental agency, body politic and corporate constituted as an instrumentality of the State of South Dakota exercising public and essential governmental functions and created by the Act, or any body, agency or instrumentality of the State of South Dakota which shall hereafter succeed to the powers, duties or functions of the District.

“District Request” means the written request of the District signed by an Authorized Representative.

“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 under the Master Indenture, any amendments thereof and all applicable regulations.

“Drinking Water Administration Fund” means the Drinking Water Administration Fund established under the Master Indenture.

“Drinking Water Bond Fund” means the Drinking Water Bond Fund established under the Master Indenture.

“Drinking Water Letter of Credit” means the Letter of Credit or any other funding arrangement for capitalization grants by the United States of America pursuant to the Drinking Water Act for the benefit of the State of South Dakota.

“Drinking Water Loan” means any loan made by the District to a Borrower as part of the Drinking Water Program and evidenced by a Loan Agreement.

“Drinking Water Loan Fund” means the Drinking Water Loan Fund established under the Master Indenture.

“Drinking Water Portion” means all of the principal and interest on the Outstanding Existing Bonds under the Original Drinking Water Indenture and the Allocable Portion of principal and interest on Bonds or Notes of a Series equal to a portion of the proceeds deposited into the Drinking Water Fund in accordance with Section 4.01 of the Master Indenture, including, without limitation, any amounts required to be paid with respect to Qualified Interest Rule Agreements.

“Drinking Water Program” means the District’s Drinking Water State Revolving Fund Program under the Drinking Water Act and the Act.

“Drinking Water Program Subfund” means the State Revolving Fund established under Article V of the Master Indenture in accordance with the Drinking Water Act and the Act.

“Drinking Water Reimbursement Obligation” means the obligation of the District under Section 5.16 of the Master Indenture to reimburse the Drinking Water Program Subfund for any amounts transferred to the Clean Water Bond Fund pursuant to Section 5.04(h)(1)(iii) or (i)(1)(v) of the Master Indenture, as applicable, to pay the Clean Water Portion of principal and interest on Bonds or Notes when due.

“Drinking Water Reserve Fund” means the Drinking Water Reserve Fund established under the Master Indenture.

“Drinking Water Revenue Fund” means the Drinking Water Revenue Fund established under the Master Indenture.

“Drinking Water State Match Portion” means, with respect to the Drinking Water Portion of any principal or interest on any Bonds or Notes, the portion of such principal or interest of a Series of Bonds or Notes equal to a portion of the proceeds deposited into the Drinking Water Fund in accordance with Section 4.01 of the Master Indenture.

“Drinking Water State Match Reserve Requirement” shall have the meaning assigned in any Series Resolution, except that for all Existing Bonds it shall mean the largest amount of the Drinking Water State Match Portion of principal (including Sinking Fund Installments) and interest in the then current or any succeeding calendar year on all Existing Bonds (or the relevant portion of debt service on all Existing Bonds) which are secured by a lien on or pledge of amounts on deposit in the State Match Reserve Account or the Unrestricted Reserve Account of the Drinking Water Reserve Fund and are Outstanding under the Master Indenture.

“Drinking Water Total Reserve Requirement” shall have the meaning assigned in any Series Resolution, except that for all Existing Bonds it shall mean the largest amount of the Drinking Water Portion of Principal (including Sinking Fund Installments) and interest in the then current or any succeeding calendar year on all Existing Bonds (or the relevant portion of debt service on all Existing Bonds) which are secured by a lien on or pledge of amounts on deposit in the Drinking Water Reserve Fund and are Outstanding under the Master Indenture.

“Effective Date” shall mean the earlier of (a) the date on which all Holders of Existing Bonds consent or are deemed to have consented to the reduction in the percentage of Holders of Bonds described in Sections 11.03, 11.04 and 11.06 of the Master Indenture, or (b) date on which no Existing Bonds are deemed Outstanding under the Master Indenture.

“EPA” means the Environmental Protection Agency, an agency of the United States of America, and any successor to its functions under the Drinking Water Act or Clean Water Act, or any other agency of the United States of America having jurisdiction with respect to the funding of Loans for the Programs.

“Event of Default” means any of those events defined as Events of Default in the Master Indenture.

“Excess Clean Water Revenues” means Excess Clean Water Restricted Revenues and Excess Clean Water Unrestricted Revenues.

“Excess Clean Water Restricted Revenues” means any amount from time to time on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount of the Restricted Principal Repayments Account of the Clean Water Revenue Fund.

“Excess Clean Water Unrestricted Revenues” means any amount from time to time on deposit in the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Unrestricted Interest Repayments Account of the Clean Water Revenue Fund, together with any investment income earned on amounts on deposit in the various Clean Water Funds and Accounts under the Master Indenture which are not required to be maintained therein or otherwise transferred pursuant to the terms of the Master Indenture.

“Excess Drinking Water Revenues” means Excess Drinking Water Restricted Revenues and Excess Drinking Water Unrestricted Revenues.

“Excess Drinking Water Restricted Revenues” means any amount from time to time on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount of the Restricted Principal Repayments Account.

“Excess Drinking Water Unrestricted Revenues” means any amount from time to time on deposit in the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Unrestricted Interest Repayments Account of the Drinking Water Revenue Fund, together with any investment income earned on amounts on deposit in the various Drinking Water Funds and Accounts under the Master Indenture

which are not required to be maintained therein or otherwise transferred pursuant to the terms of the Master Indenture.

“Excess Revenues” means Excess Clean Water Revenues and Excess Drinking Water Revenues.

“Existing Bonds” means the Existing Clean Water Bonds and the Existing Drinking Water Bonds.

“Federally Capitalized Loan Accounts” means the Account of the Loan Funds so designated in the Master Indenture.

“Fund” or “Funds” means one or more of the special trust funds created and established under the Master Indenture.

“General Limitation” means the limitation described in Section 5.11 of the Master Indenture, as now or hereafter revised or clarified.

“Initial Leveraged Portion” means, with respect to any principal or interest on any series of Bonds or Notes, the initial portion of such principal or interest determined in accordance with Section 4.01 of the Master Trust Indenture as the Leveraged Portion with respect to such series of Bonds or Notes.

“Initial State Match Portion” means, with respect to any principal or interest on any Series of Bonds or Notes, the initial portion of such principal or interest determined in accordance with Section 4.01 of the Master Trust Indenture as the State Match Portion with respect to such Series of Bonds or Notes.

“Interest Rate Agreements” means any contract that the District determines necessary or appropriate to manage payment or interest rate risk for bonds issued under the Act, the investment of proceeds, or other funds of the District, including interest rate exchange agreements; contracts providing for payment or receipt of funds based on levels of or changes in interest rates; contracts to exchange cash flows or series of payments; or contracts incorporating interest rate caps, collars, floors, or locks.

“Investment Obligations” means and includes any of the following, if and to the extent the same are authorized as permitted investments for the District’s moneys in the Funds and Accounts created and maintained under the Master Indenture:

- (a) Direct obligations of, or obligations the prompt payment of principal and interest on which are fully guaranteed by, the United States of America; or
- (b) Bonds, debentures, notes or other evidences of indebtedness issued or fully insured or guaranteed by any agency or instrumentality of the United States of America which is backed by the full faith and credit of the United States of America; or
- (c) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any Depository (including the Trustee), provided that such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in clauses (a) or (b) of this definition, or a combination thereof; or
- (d) Money market funds or similar funds which invest exclusively in obligations described in clauses (a), (b), (e) or (f) of this definition, or a combination thereof; or
- (e) Bonds, debentures, notes or other evidences of indebtedness issued by any state of the United States of America or any political subdivision thereof or any public



authority or body or instrumentality therein which constitute obligations described in Section 103(a) of the Code and which are assigned a long-term rating by the Rating Agency which is no lower than the long-term rating assigned by the Rating Agency to the Outstanding Bonds (without taking into account any higher rating assigned to the Bonds by virtue of Credit Enhancement); or

(f) Any repurchase agreement or similar financial transaction with a national banking association or a bank or trust company organized under the laws of any state (including the Trustee), or with a government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement satisfies the following requirements: (1) it is secured, in the opinion of counsel, by a perfected security interest in any one or more of the securities described in clause (a) or (b); (2) provides that the collateral must be valued at least weekly and must be maintained at a value of at least 103% of the amount invested plus accrued interest (with a no more than one-week cure period, if the value of collateral falls below this amount); (3) is entered into with a primary reporting dealer that reports to the Federal Reserve Bank of New York or one of the 100 largest United States commercial banks, as measured by domestic deposits; and (4) the securities which are the subject of the repurchase agreement must be held by the Trustee or by an agent or custodian on its behalf, provided that the requirements of clauses (3) and (4) shall apply only if and to the extent that South Dakota law so requires; or

(g) Any investment agreement, guaranteed investment contract or similar debt obligation which in the opinion of counsel is permitted by South Dakota law and the issuer or guarantor of such obligation is assigned, or such agreement, contract or obligation is assigned, the highest short-term debt rating by the Rating Agency or which is assigned a long-term rating by the Rating Agency which is no lower than the two highest long-term rating categories (without regard to numeric or other modifiers) at the time such investment is acquired or which agreement is approved by each Rating Agency then rating Outstanding Bonds as of the date the agreement is entered into by the District; or

(h) the South Dakota Cash Flow Fund provided the District determines that such fund invests solely in investments authorized by SDCL 4-5-26 or other investments which the District is authorized to acquire and hold.

“Letter of Credit” means the instrument or procedure by which the United States of America or any agency thereof provides for payment of moneys authorized under or pursuant to applicable law for capitalization grants for the Programs and shall include draws under the letter of credit or such other instrument or procedure known as the EPA Automated Clearing House (EPA-ACH) payment system.

“Leveraged Bond Accounts” means the Accounts of the Bond Funds so designated as described in the Master Indenture.

“Leveraged Loan Accounts” means the Accounts of the Loan Funds so designated as described in the Master Indenture.

“Leveraged Note Accounts” means the Accounts of the Bond Funds so designated in the Master Indenture.

“Leveraged Portion” means, with respect to any principal or interest on any Bonds or Notes, the portion of such principal or interest determined in accordance with Section 4.01 of the Master Indenture, including, if applicable, the Adjusted Leveraged Portion.

“LIBOR” means the offered rate, as determined by the Trustee, for United States dollar deposits for a one-month period which appears on Telerate Page 3750, as reported by Bloomberg Financial Markets Commodities News (or such other page as may replace Telerate Page 3750 for the purpose of displaying comparable rates) as of approximately 11:00 a.m., London time, on the date of determination; *provided*, that if on any date of determination, no rate appears on Telerate Page 3750 as specified above, the Trustee shall determine the arithmetic mean of the offered quotations for four major banks in the London interbank market, for deposits in U.S. dollars for a one-month period for the banks in the London interbank market as of approximately 11:00 a.m., London time, on such date of determination and in a principal amount of not less than \$1,000,000 that is representative of a single transaction in such market and at such time, unless fewer than two such quotations are provided, in which case, “LIBOR” shall mean the arithmetic mean of the offered quotations that leading banks in New York City selected by the Trustee are quoting on the determination date for loans in U.S. dollars to leading European banks in a principal amount of not less than \$1,000,000 that is representative of a single transaction in such market at such time. All percentages resulting from such calculations shall be rounded upwards, if necessary, to the nearest one hundredth of one percent.

“Liquidity Facility” means the obligation of a Liquidity Provider to provide funds for the purpose of purchasing tendered Bonds or Notes, which Liquidity Facility may be in the form of a line of credit, bond purchase agreement or letter of credit.

“Liquidity Provider” means one or more commercial banks, trust companies or financial institutions obligated with respect to a Liquidity Facility.

“Loan” means a loan of funds to a Borrower in accordance with Section 4.03 together with any Supplemental Loan designated under Section 4.04 of the Master Indenture.

“Loan Agreement” means any loan agreement between the District and a Borrower relating to a loan of moneys from a Loan Fund or Revenue Fund under the Master Indenture, a Supplemental Loan designated under Section 4.04 or otherwise described and pledged in a Series Resolution; provided, such term shall not include any loan agreements which relate to any Released Obligations.

“Loan Funds” means the Clean Water Loan Fund and the Drinking Water Loan Fund.

“Loan Obligation” or “Loan Obligations” means any evidence of indebtedness or other obligation to repay a Loan pursuant to a Loan Agreement, which is issued by a Borrower and payable from taxes, non-ad valorem sales taxes, or from rates, revenues, charges or assessments, or distributions of revenue pursuant to a state appropriation or statutory or constitutional provision, or payable from a pledge of property or other amounts; provided, however, the terms “Loan Obligation” and “Loan Obligations” shall not include any Released Obligations or any portion of a Supplemental Loan which is canceled or forgiven pursuant to the Master Indenture.

“Mandatory Transfer”, with respect to a series of Bonds or Notes, shall have the meaning given thereto by Section 4.01(b) of the Master Indenture.

“Note” or “Notes” means any Outstanding Notes of the District issued pursuant to a Series Resolution, the Act and the Master Indenture.

“Noteholder” or “Holder of Notes” or “Owner of Notes” or similar term when used with respect to a Note or Notes, means any person who shall be the registered owner of any Outstanding Note.

“Optional Transfer Conditions” means the conditions precedent to transfer of the proceeds of a series of Bonds or Notes as established pursuant to Section 4.01(b) of the Master Indenture.

“Original Amended and Restated Indenture” shall have the meaning given to such term in the preamble clauses of the Master Indenture.

“Original Clean Water Indenture” shall have the meaning given to such term in the preamble clauses of the Master Indenture.

“Original Drinking Water Indenture” shall have the meaning given to such term in the preamble clauses of the Master Indenture.

“Original Master Trust Indenture” shall have the meaning given to such term in the preamble clauses of the Master Indenture.

“Outstanding” means, when used with respect to Bonds or Notes, as of any date, all Bonds or Notes theretofore authenticated and delivered under the Master Indenture except:

any Bond or Note cancelled or delivered to the Trustee for cancellation on or before such date;

any Bond or Note (or any portion of any Bond or Note) (i) for the payment or redemption of which there shall be held in trust under the Master Indenture and set aside for such payment or redemption, moneys and/or Defeasance Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date, which, together with income to be earned on such Defeasance Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any Bond or Note (or any portion of any Bonds or Notes) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with Article III of the Master Indenture or provided for in a manner satisfactory to the Trustee;

any Bond or Note in lieu of or exchange for which another Bond or Note shall have been authenticated and delivered pursuant to Article II of the Master Indenture.

“Political Subdivision” means any “public entity” as defined in §46A-2-4, SDCL, or any successor statutory provision, including without limitation, a county, township, municipality, political or administrative subdivision of State government, irrigation district, water user district, sanitary district, water project district, watershed district, water development district, or any other public body recognized by State law.

“Program” means any program now or hereafter described in the Act pursuant to which the Board of Water and Natural Resources makes loans to Political Subdivisions or other Borrowers for various environmental or infrastructure purposes, including projects or purposes authorized by the Clean Water Act or Drinking Water Act.

“Projected Clean Water Revenue” as of the date of a Coverage Certificate means (i) the scheduled principal and interest payments on all Clean Water Loans held by the Trustee or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal and interest on Clean Water Loans which either (A) are then in default in the payment of principal or interest, or (B) failed to meet the Credit Standard in effect at the time the Clean Water Loans were acquired and, if a revenue obligation payable from net revenues of a Borrower, also failed to meet the coverage requirement of the applicable Credit Standard during both of the last two complete fiscal years, and (ii) all other

amounts (excluding the required balances in the Reserve Funds) which an Authorized Representative of the District estimates will be received on Loan Obligations and investments of amounts then held or expected to be deposited in any Clean Water Fund or Account under the Master Indenture, including amounts which are reasonably expected to be drawn under the Clean Water Letter of Credit.

“Projected Drinking Water Revenue” as of the date of a Coverage Certificate means (i) the scheduled principal and interest payments on all Drinking Water Loans held by the Trustee or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal and interest on Drinking Water Loans which either (A) are then in default in the payment of principal or interest, or (B) failed to meet the Credit Standard in effect at the time the Drinking Water Loans were acquired and, if a revenue obligation payable from net revenues of a Borrower, also failed to meet the coverage requirement of the applicable Credit Standard during both of the last two complete fiscal years, and (ii) all other amounts (excluding the required balances in the Reserve Funds) which an Authorized Representative of the District estimates will be received on Loan Obligations and investments of amounts then held or expected to be deposited in any Drinking Water Fund or Account under the Master Indenture, including amounts which are reasonably expected to be drawn under the Drinking Water Letter of Credit.

“Projected Revenue” means, as the context may require, Projected Clean Water Revenue or Projected Drinking Water Revenue.

“Public Water System” means any public water system as defined in SDCL §34A-3A-1 or any successor statutory provision, including, without limitation, a system for the provision to the public of piped water for human consumption, if such system has at least fifteen service connections or regularly serves an average of at least twenty-five individuals daily at least sixty days out of the year.

“Qualified Interest Rate Agreement” shall mean any Interest Rate Agreement between the District and a Swap Provider (i) which agreement is either approved by, or following review of such agreement, the rating upon all affected Bonds is confirmed by each Rating Agency and (ii) under which the District agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the District for a specific period of time an amount calculated at an agreed-upon rate or index based upon such notional amount, where the Swap Provider, or the person who guarantees the obligation of the Swap Provider to make its payments to the District, has unsecured obligations rated, as of the date the swap agreement is entered into, in one of the two highest applicable rating categories by each Rating Agency then rating such Swap Provider or such other person who guarantees such obligation, but only if any such Rating Agency is then rating (1) bonds secured by such agreements of the Swap Provider or (2) the Series of Bonds to which such agreement may be related.

“Rating Agency” means Moody’s Investors Service, Inc., Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc. or any other nationally recognized rating agency, but only to the extent such entity has been requested in writing to issue a rating on the most recently issued series of Outstanding Bonds.

“Redemption Price” means, when used with respect to a Bond or Note or portion thereof to be redeemed, the principal amount of such Bond or Note or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the applicable Series Resolution.

“Refunding Bonds” means any Bonds or Notes the proceeds of which are to be used to pay the principal of or interest on any Outstanding Bonds or Notes.

“Regular Record Date” means the record date for the payment of interest on any Series of Bonds or Notes established by a Series Resolution.

“Released Obligations” means all Loan Obligations, Loan Agreements, cash or investments and any other assets or related rights of payments relating to Loan Obligations, Loan Agreements or other assets heretofore released or presently proposed to be released from the lien of the Master Indenture pursuant to Section 5.10 of the Master Indenture.

“Relevant Federal Act” means, as the context shall indicate, the Clean Water Act or the Drinking Water Act.

“Reserve Fund” means the Clean Water Reserve Fund and the Drinking Water Reserve Fund.

“Restricted Cumulative Excess Principal Repayments Subaccounts” means the Subaccounts so designated within the Restricted Principal Repayments Accounts of the Revenue Funds as described in the Master Indenture.

“Restricted Reserve Accounts” means the Accounts of the Reserve Funds so designated in the Master Indenture.

“Restricted Principal Repayments Accounts” means the Accounts of the Revenue Funds so designated as described in Section 5.04 of the Master Indenture.

“Revenue Funds” means the Clean Water Revenue Fund and the Drinking Water Revenue Fund.

“Serial Bonds” means the Bonds of any Series so designated in the Series Resolution.

“Series of Bonds” or “Bonds of a Series” means a series of Bonds issued under the Master Indenture designated as a “Series” and authorized by a separate Series Resolution.

“Series of Notes” or “Notes of a Series” means a series of Notes issued under the Master Indenture designated as a “Series” and authorized by a separate Series Resolution.

“Series Resolution” means a resolution adopted by the Board of Water and Natural Resources pursuant to the Act and the Master Indenture authorizing the issuance of a Series of Bonds or Notes, and any Bond Order related thereto.

“Series 1998/2001 Bond Insurer” means AMBAC Assurance Corporation, the issuer of Credit Enhancement with respect to the Outstanding Series 1998/2001 Bonds.

“Series 1998/2001 Bonds” the District’s Outstanding Bonds which were part of the following: (1) \$6,450,000 original principal amount of Drinking Water State Revolving Fund Program Bonds, Series 1998, (2) \$5,575,000 original principal amount Drinking Water State Revolving Fund Program Bonds, Series 2001, and (3) \$4,405,000 principal amount of Clean Water State Revolving Fund Program Bonds, Series 2001.

“Series 1998/2001 Series Resolutions” means the Series Resolutions adopted by the District with respect to the Series 1998/2001 Bonds.

“SIFMA Municipal Index” means the SIFMA Municipal Swap Index™ (such index previously known as the “BMA Municipal Swap Index”™) announced by Municipal Market Data and based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specified criteria established by the Securities Industry and Financial Markets Association. The SIFMA Municipal Swap Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which under the Code, is excludable from gross income for federal income tax purposes. The SIFMA Municipal Swap Index shall not include any bonds the interest on which is subject to any

personal “alternative minimum tax” or similar tax unless all tax exempt bonds are subject to such tax; provided, however, that if such index is no longer produced by Municipal Market Data, Inc. or its successor, then “SIFMA Municipal Index” means such other reasonably comparable index selected by the District.

“Sinking Fund Installment” means when used with respect to any Series of Bonds issued pursuant to a Series Resolution, the amount so designated for any particular due date in the Series Resolution pursuant to the Master Indenture.

“South Dakota Cash Flow Fund” means the program operated by the South Dakota Investment Council, or its lawful successor, for the investment of state funds and other public moneys.

“SRF Administration Accounts” means the Accounts of the Administration Funds so designated as described in the Master Indenture.

“State” means the State of South Dakota.

“State Administration Accounts” means the Accounts of the Administration Funds so designated in the Master Indenture.

“State Match Bond Accounts” means the Accounts of the Bond Funds so designated in the Master Indenture.

“State Match Loan Accounts” means the Accounts of the Loan Funds so designated as described in the Master Indenture.

“State Match Note Accounts” means the Accounts of the Bond Funds so designated in the Master Indenture.

“State Match Portion” means, with respect to any principal or interest on any Bonds or Notes, the portion of such principal or interest determined in accordance with Section 4.01 of the Master Indenture, including, if applicable, the Adjusted State Match Portion.

“State Match Reserve Accounts” means the Accounts of the Reserve Funds so designated in the Master Indenture.

“State Match Reserve Requirement” shall have the meaning assigned in any Series Resolution, except that for all Existing Bonds it shall mean the largest amount of the State Match Portion of principal (including Sinking Fund Installments) and interest in the then current or any succeeding calendar year on the Allocable Portion of all Existing Bonds Outstanding under the Master Indenture which (or the relevant portion of which) are secured by a lien on or pledge of amounts on deposit in the Special Reserve Account and Unrestricted Reserve Account.

“Supplemental Indenture” means an indenture supplemental to the Master Trust Indenture for the purpose of establishing terms, conditions or other details with respect to a specific series of Bonds or Notes and related matters.

“Swap Provider” shall mean the counterparty with whom the District enters into a Qualified Interest Rate Agreement.

“Term Bonds” means the Bonds of any Series so designated in the Series Resolution.

“Termination Payment” means any payment payable by the District or a Counterparty under an Interest Rate Agreement as a result of a termination thereof prior to the scheduled expiration thereof.

“Total Reserve Requirement” shall have the meaning assigned in any Series Resolution, except that for all Existing Bonds it shall mean the largest amount of principal (including Sinking Fund Installments) and interest scheduled to be due and payable in the then current or any succeeding calendar year with respect to the Allocable Portion of all Existing Bonds Outstanding under the Master Indenture which (or the relevant portion of which) are secured by a lien on or pledge of amounts on deposit in one or more accounts in the Reserve Fund.

“Transfer Date” means, with respect to a Series of Bonds or Notes, the date established pursuant to Section 4.01(b) of the Master Indenture or Section 5.19(a) of the Master Indenture.

“Trustee” means The First National Bank in Sioux Falls and any successor or successors at any time substituted in its place as Trustee pursuant to the Master Indenture.

“Unrestricted Cumulative Excess Interest Repayments Subaccounts” means the Subaccounts so designated within the Unrestricted Interest Repayments Accounts of the Revenue Funds as described in the Master Indenture.

“Unrestricted Interest Repayments Accounts” means the Accounts of the Revenue Funds so designated in the Master Indenture.

“Unrestricted Reserve Accounts” means the Accounts of the Reserve Funds so designated in the Master Indenture.

“Variable Rate Bond” means any Bond the interest rate on which is not fixed but varies on a periodic basis as specified in the Series Resolution providing for the issuance thereof.

“Valuation Date” means each date on which the balances in the Restricted Reserve Account, the State Match Reserve Account and the Unrestricted Reserve Account of each Reserve Fund are determined by the Trustee as required by the Master Indenture.

## **Master Indenture**

### **Funds and Accounts**

Creation of Funds and Accounts. There are created in the Master Indenture the following Funds for each of the State Revolving Fund Programs:

- (a) Loan Fund;
- (b) Administration Fund;
- (c) Revenue Fund;
- (d) Bond Fund; and
- (e) Reserve Fund

The Master Indenture creates the separate accounts described below in each Fund, and permits the creation of separate accounts and subaccounts in each Fund for each Series of Bonds or for other purposes.

Loan Fund. Each Loan Fund consists of four accounts, a State Match Loan Account, a Leveraged Loan Account, a Federally Capitalized Loan Account, and a Bond Proceeds Account. In addition to moneys that may be deposited therein at the discretion of the District, the State Match Portion of the proceeds of each Series of Bonds or Notes is to be deposited in the State Match Loan Account, and the Leveraged Portion of the proceeds of each Series is to be deposited in the Leveraged Loan Account. Proceeds of a series of Bonds or Notes may also be deposited in the Bond Proceeds Account for later mandatory or optional transfer to the State Match Loan Account or Leveraged Loan Account. The Federally Capitalized Loan Account will be funded with proceeds of draws on the Letter of Credit and moneys transferred from the Restricted Reserve Account of the Reserve Fund. The Loan Fund is to be used to make loans to Borrowers through the purchase of Loan Obligations as provided in the Indenture.

Administration Fund. Each Administration Fund consists of an SRF Administration Account and a State Administration Account. From the proceeds of each Series of Bonds, an amount sufficient to pay Costs of Issuance may be deposited in the State Administration Account and used to pay Costs of Issuance. In addition, fees paid by Borrowers pursuant to their Loan Agreements are to be paid into the State Administration Account and used to pay administrative costs of the Program and other uses authorized under the Federal Acts. The SRF Administration Account will be funded from that portion of each draw on the Letter of Credit and that portion, if any, of the proceeds of the State Match Portion of a Series of Bonds which have been designated by the District for payment of administrative costs of the Program and which are permitted to be applied for that purpose under the Federal Acts.

Revenue Fund. The Revenue Fund for each State Revolving Fund consists of a Restricted Principal Repayments Account and an Unrestricted Interest Repayments Account. All payments of principal of, premium (if any) on and interest on Loan Obligations shall be deposited in Revenue Fund for each Program as follows:

- (a) Amounts received as principal of a Loan Obligation for such Program shall be deposited in the related Restricted Principal Repayments Account; and
- (b) Amounts received as interest on a Loan Obligation for such Program shall be deposited in the related Unrestricted Interest Repayments Account.

For each Program the Trustee will also deposit in the related Unrestricted Interest Repayments Account investment earnings on the accounts in the Loan Fund and investment earnings not required to be applied to other purposes. Moneys on deposit in the Restricted Principal Repayments Account for each Program are to be transferred to the related Leveraged Bond Account of the Bond Fund on or before each Bond Payment Date, to be used to pay the Leveraged Portion of principal and interest on the Bonds allocable to such Program. Moneys on deposit in the Unrestricted Interest Repayments Account of each Revenue Fund are to be transferred to the related State Match Bond Account of the Bond Fund on or before each Bond Payment Date, to be used to pay the State Match Portion of principal of and interest on the Bonds allocable to such Program. In addition, any amounts remaining on deposit in the Unrestricted Interest Repayments Account after transfer of an amount sufficient to pay the State Match Portion of the principal of and interest on the Bonds shall be applied in the following order: (i) to pay any unpaid portion of the Leveraged Portion of principal of and interest on the Bonds allocable to such Program; (ii) if a transfer is made on a February 1 Bond Payment Date, an amount equal to one-half of the principal amount of the any State Match Portion of Bonds due on or before the next August 1 shall be transferred to the related State Match Bond Account of the Bond Fund; (iii) to replenish the amount in the related Reserve Fund (and any account or subaccount thereof on a pro rata basis to the extent of any applicable reserve



requirements) to satisfy the Total Reserve Requirement or the State Match Reserve Requirement, by transfer to the Unrestricted Reserve Account of the Reserve Fund (and a corresponding account or subaccount for such purpose); and (iv) to the extent needed to meet an interest payment obligation of the other Program, to the Unrestricted Interest Repayments Account of the Revenue Fund for the other Program, (v) to a fund or account of the other Program to the extent necessary to satisfy a Reimbursement Obligation to such Program, and (vi) to the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Revenue Fund for such Program for subsequent transfer if the District so directs to any other Fund or Account, other than the State Administration Account of the Administration Fund and the State Match Reserve Account of the Reserve Fund. Moneys remaining on deposit in the Restricted Principal Repayments Account of the Revenue Fund after transfer to the Leveraged Bond Account of an amount sufficient to pay the Leveraged Portion of the principal of and interest on the Bonds, and, if such transfer is made on a February 1 Bond Payment Date, one half of the principal amount of any Leveraged Portion of the Bonds due on or before the next August 1 must be applied in the following order: (i) to restore any deficiency in the Total Reserve Requirement by transfer to the Restricted Reserve Account of the Reserve Fund (and any account or subaccount thereof on a pro rata basis to the extent of any applicable reserve requirements), (ii) to the extent necessary to meet a principal payment obligation of the other Program, to the Restricted Principal Repayments Account of the Revenue Fund for the other Program, (iii) to a fund or account of the other Program to the extent necessary to satisfy a Reimbursement Obligation to such Program, and (iv) to be retained in a Restricted Cumulative Excess Principal Repayments Subaccount of the Restricted Principal Repayments Account until the District directs that the amounts be deposited in either the Restricted Reserve Account of the Reserve Fund or used to fund additional Loans.

Funds on deposit from time to time in the Restricted Cumulative Excess Principal Repayments Subaccount and the Unrestricted Cumulative Excess Interest Repayments Subaccounts for each Program and not required to be applied to provide for payment of principal or interest with respect to the Outstanding Bonds of either Program are defined in the Master Indenture as "Excess Revenues". The Master Indenture provides that any Excess Revenues shall be transferred to the related principal or interest accounts in the Note Payment Fund to pay principal or interest on Notes (including the Series 2010 Bond Anticipation Notes) as and when due, but subject to the same restrictions as to State Match Portion and Leveraged Portion of debt service on Notes as are applicable with respect to Bonds as described above.

Bond Fund. The Bond Fund for each State Revolving Fund consists of a State Match Bond Account, a Leveraged Bond Account, a State Match Note Account, a Leveraged Note Account and, if provided for in a Series Resolution, a Capitalized Interest Account. On each Bond Payment Date, moneys in the Leveraged Bond Account of the Bond Fund shall be used to pay the Leveraged Portion of principal of and interest on the Bonds allocable to such Program then due and payable, and moneys in the State Match Bond Account of the Bond Fund shall be used to pay the State Match Portion of principal of and interest on the Bonds allocable to such Program then due and payable. In the event moneys available to be transferred to the Leveraged Bond Account from the Restricted Principal Repayments Account are insufficient to pay the Leveraged Portion of principal of and interest on the Bonds then due and payable, the Trustee shall transfer funds to the Leveraged Bond Account to make up such deficiency from the following sources in the following order:

- (a) First, from the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Unrestricted Interest Repayments Account of the Revenue Fund for such Program;
- (b) Second, from Excess Revenues of the other Program available to cure the deficiency;
- (c) Third, from the Restricted Reserve Account of the Reserve Fund for such Program (but only if and to the extent such Bonds are secured by the Reserve Fund and in such event,

only from the corresponding Reserve Account or Subaccount allocable to Bonds secured thereby);

- (d) Fourth, from the Unrestricted Reserve Account of the Reserve Fund for such Program (but only if and to the extent such Bonds are secured by the Reserve Fund and in such event, only from the corresponding Reserve Account or Subaccount allocable to Bonds secured thereby);
- (e) Fifth, from any other available Fund or Account within such Program established under the Indenture (other than the State Match Reserve Account and the State Administration Account); and
- (f) Sixth, from any available account of the other Program.

In the event of a deficiency in the amounts transferred from the Unrestricted Interest Repayments Account of the Revenue Fund to the State Match Bond Account of the Bond Fund (and following other allowed transfers described herein), the Trustee shall withdraw an amount equal to the deficiency from the State Match Reserve Account of the Reserve Fund to pay the State Match Portion of the principal and interest on the Bonds due on such Bond Payment Date and apply the same directly to the payment of such State Match Portion (but only if and to the extent such Bonds are secured by the Reserve Fund and in such event, only from the corresponding Reserve Account or Subaccount allocable to Bonds secured thereby). In the event sufficient funds in the State Match Reserve Account are not available for this purpose, the Trustee shall transfer funds to the State Match Bond Account to make up the remainder of such deficiency from the Unrestricted Reserve Account of the Reserve Fund (but only if and to the extent such Bonds are secured by the Reserve Fund and in such event, only from the corresponding Reserve Account or Subaccount allocable to Bonds secured thereby). In the event such other transfers are insufficient to make up such deficiency, the Trustee shall withdraw an amount equal to the remaining deficiency from the State Administration Account of the Administration Fund and apply the same directly to the payment of the State Match Portion of the principal and interest on the Bonds due on such Bond Payment Date.

Following all of the transfers and applications described above with respect to provision for payment of debt service on the Bonds of either Program, on each Bond Payment Date, the Master Indenture provides that the Trustee shall also make any certain transfers of Excess Clean Water Revenues and/or Excess Drinking Water Revenues to the applicable Note Payment Accounts to provide for the payment of the Leveraged Portion and the State Match Portion of the principal and interest with respect to Notes due on such Bond Payment Date, provided, however, in all cases the Trustee shall first apply any proceeds of Refunding Bonds for such purposes to the extent available on such Bond Payment Date as provided in any applicable Series Resolution..

Under no circumstances shall any amounts be transferred directly to the State Match Bond Account or State Match Note Account from the Leveraged Loan Account or Federally Capitalized Loan Account of either Loan Fund, the Restricted Principal Repayments Account of either Revenue Fund, the Leveraged Bond Account of either Bond Fund or the Restricted Reserve Account of either Reserve Fund or the SRF Administration Account of either Administration Fund.

Reserve Fund. The Reserve Fund for each State Revolving Fund consists of a Restricted Reserve Account, an Unrestricted Reserve Account and a State Match Reserve Account. Any amounts eligible to be drawn on the Letter of Credit with respect to any Loan pledged under the Master Indenture (to the extent such amounts are not otherwise required to be disbursed to a Borrower) shall be deemed to be part of the Restricted Reserve Account of the Reserve Fund but shall not be used to determine the amount on deposit therein for purposes of the definition of Total Reserve Requirement.

If any Series of Bonds or portion thereof is to be secured by amounts on deposit in the Reserve Fund or any Account or Subaccount thereof, then Bond proceeds or other amounts may be deposited in the Restricted Reserve Account and the State Match Reserve Account as provided in a Series Resolution and revenues may be applied to replenish amounts required to be deposited therein up to the applicable reserve requirements established by the Series Resolution. Initial deposits of Bond proceeds into the Reserve Fund shall be made to a specific Subaccount within the State Match Reserve Account or the Restricted Reserve Account, and such Subaccount shall be designated so as to designate the specific series of Bonds or portion thereof so secured. Each Subaccount so established shall secure solely the Series of Bonds or portion thereof which is entitled to the security of such reserve as shall be expressly provided in the applicable Series Resolution. Moneys deposited in the Reserve Fund, other than Bond proceeds, proceeds of a draw on the Letter of Credit and other moneys required to be deposited in the Restricted Reserve Account or the State Match Reserve Account under the Master Indenture or a Series Resolution, shall be deposited in a Subaccount to be established in the Unrestricted Reserve Account, such Subaccount to have a designation which identifies the specific series of Bonds or portion thereof so secured. The District may also transfer funds from the Unrestricted Cumulative Excess Interest Repayments Subaccount or any other account to satisfy any reserve requirement and thereupon transfer excess amounts on deposit in the Reserve Fund to any account within the Loan Fund. Moneys on deposit in the Reserve Fund shall be used to make up any deficiencies in the Bond Fund; provided, that under no circumstances shall the Trustee transfer any amounts on deposit in the Restricted Reserve Account of the Reserve Fund to the State Match Bond Account of the Bond Fund.

As described elsewhere herein, the District may determine on a case by case basis whether any Series of Bonds, or the Leveraged Portion or State Match Portion thereof, shall be entitled to the benefit of the security of the Reserve Fund or any account or subaccount therein. The Series 2010 Bond Anticipation Notes will not be secured by a pledge of or lien on amounts on deposit in either Reserve Fund. If and to the extent that any Series of Bonds or any Leverage Portion of State Match Portion of debt service on any Series of Bonds is entitled to the benefit of the security of amounts on deposit in any specific account or subaccount of the Reserve Fund, the following provisions apply. When amounts in the applicable account or subaccount of the Reserve Fund exceed the applicable Total Reserve Requirement, amounts in the applicable account or subaccount of the Restricted Reserve Account may, to the extent of such excess, be transferred at the direction of the District to the Federally Capitalized Loan Account of the Loan Fund, but not to any other Fund or Account. When the sum of the amounts on deposit in the applicable accounts or subaccounts of the Unrestricted Reserve Account and the State Match Reserve Account exceeds the applicable State Match Reserve Requirement, amounts in the applicable subaccount of the State Match Reserve Account may be transferred at the direction of the District to the State Match Loan Account of the Loan Fund and amounts in the applicable subaccount of the Unrestricted Reserve Account may be transferred at the direction of the District to any fund or Account other than the State Match Reserve Account of the Reserve Fund and the State Administration Account of the Administration Fund; provided, that the aggregate amount of such transfers shall be limited to the excess over the applicable State Match Reserve Requirement and shall be made only if and to the extent that the applicable Total Reserve Requirement is satisfied both before and after such transfers.

In the event either (a) the sum of the amounts on deposit in the applicable subaccounts of the Restricted Reserve Account, the Unrestricted Reserve Account and the State Match Reserve Account is at any time less than the applicable Total Reserve Requirement, if any, or (b) the sum of the amounts on deposit in the applicable subaccounts of the Unrestricted Reserve Account and the State Match Reserve Account is at any time less than the applicable State Match Reserve Requirement, if any, the Trustee shall forthwith give written notice to the District.

Investment of Funds. Moneys on deposit to the credit of the Funds and Accounts under the Master Indenture shall be invested by the Trustee at the direction of the District in Investment Obligations (as defined below) permitted under the Master Indenture and the Act; however, no Investment Obligation shall have a maturity date beyond the date upon which the moneys in the respective Fund or Account are required or are likely to be needed for the purposes of the respective Fund or Account to which such Investment Obligation is credited. Investment Obligations so purchased shall be deemed at all times to be a part of the respective Fund or Account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Fund or Account.

The District may direct that all interest earnings on the Funds and Accounts be deposited in the Unrestricted Interest Repayments Account of the Revenue Fund. Otherwise, any interest accruing or any profit realized from such investment shall be credited to the specific Fund or Account. Investment Obligations, as defined in the Master Indenture, include any of the following, if and to the extent the same are at the time not prohibited for investment of the District's moneys: (a) direct obligations of, bonds, debentures, notes or other evidences of indebtedness issued or fully insured or guaranteed by any agency or instrumentality of the United States of America which is backed by the full faith and credit of the United States of America; (b) interest-bearing time or demand deposits, certificates of deposit or similar banking arrangements with any depository, provided that such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation; (c) money market funds or similar funds investing exclusively in obligations described in clauses (a), (d) or (e); (d) bonds, debentures, notes or other evidences of indebtedness issued by any state of the United States of America or any political subdivision thereof or any public authority or body or instrumentality therein which constitute obligations described in Section 103(a) of the Code and which are rated by Moody's Investors Service, Inc. at least as high as the rating on outstanding Bonds (disregarding any credit enhancement); (e) certain repurchase agreements or similar financial transaction with one of the 100 largest United States commercial banks or a primary dealer that report to the Federal Reserve Bank of New York; (f) guaranteed investment contracts or similar obligations issued, secured or guaranteed by a corporation or national banking association which has a long-term debt rating in the two highest rating categories by Moody's Investors Service Inc. (or other agency rating the most recent series of Bonds) or (g) the South Dakota Cash Flow Fund provided the District determines that such fund invests solely in investments authorized by SDCL 4-5-26 or other investments which the District is authorized to acquire and hold.

Release of Assets. The District may release any Loan Obligations and Loan Agreements and other assets from the Trust Estate to the extent such Loans are not necessary to maintain Projected Revenue above a specified 120% coverage requirement. To cause one or more Loan Obligations and Loan Agreements to be released from the lien of the Master Indenture, the District must prepare and file with the Trustee (1) a list of Loan Obligations, Loan Agreements and other assets together with any related instruments to be released and (2) a Coverage Certificate which, with supporting schedules, must demonstrate that (a) for the recently completed Bond Year (August 2 of one year through August 1 of the next year) the Adjusted Projected Revenues (which, for such purposes shall not include any amounts received with respect to the proposed Released Obligations or any earnings received thereon) equaled or exceeded 120% of (x) the principal and interest due in such year on the State Match Portion and the Leveraged Portion on all then Outstanding Bonds (but expressly excluding Outstanding Notes and interest thereon which are intended to be refunded from the proceeds of Refunding Bonds to be issued) and (y) the principal and interest estimated to be due and payable in each such year on the State Match Portion and the Leveraged Portion of all Refunding Bonds to be issued as to refund Outstanding Notes (calculated as described below under the subcaption "**Additional Series of Bonds or Notes**") and (b) during each year that the Bonds are scheduled to be Outstanding, the Adjusted Projected Revenues (which, for such purposes, shall not include any amounts receivable with respect to the proposed Released Obligations) will be at least 120% of (x) the principal and interest due in such year on the State Match Portion and the

Leveraged Portion on all then Outstanding Bonds (but expressly excluding Outstanding Notes and interest thereon which are intended to be refunded from the proceeds of Refunding Bonds to be issued) and (y) the principal and interest estimated to be due and payable in each such year on the State Match Portion and the Leveraged Portion of all Refunding Bonds to be issued as to refund Outstanding Notes (calculated as described below under the subcaption “**Additional Series of Bonds or Notes**”).

Upon satisfaction of the foregoing, the Trustee shall then execute a release and such other instruments as Bond Counsel for the District shall advise in writing as necessary in order to effect a release from the lien of the Master Indenture. The Master Indenture includes similar provisions, including the requirement for a Coverage Certificate demonstrating Projected Revenues of 120% of the principal and interest due in future years, for the substitution of Loan Obligations.

### **Additional Series of Bonds or Notes**

The District anticipates the issuance of additional Series of Bonds and Notes from time to time under the Master Indenture. The Master Indenture permits the issuance of additional Series of Bonds and Notes pursuant to the Master Indenture, in order to purchase Loan Obligations authorized for purchase under the Act and the Master Indenture, upon compliance with the requirements of the Master Indenture, including deposit of sufficient amounts in the applicable accounts and subaccounts of the Reserve Funds to satisfy the Total Reserve Requirements and the State Match Reserve Requirements (if any) with respect to the Series of Bonds, to be issued and all other Series of Bonds outstanding under the Master Indenture such additional Bonds shall be secured on a parity with the Existing Bonds, except that the District may elect, on a case by case basis, whether or not such additional Bonds shall be secured by amounts on deposit in the related Reserve Fund and the amount of any such reserve requirement applicable thereto.

Pursuant to the provisions of the Master Indenture, additional Bonds may be issued if certain conditions are met including, but not limited to (except in the case of (A) Refunding Bonds issued to pay principal of or interest on Bonds for the payment of which sufficient funds are not expected to be available and (B) Bonds issued to refund Notes) a Coverage Certificate, with supporting schedules, estimating that, as of each Bond Year, Projected Revenues available for deposit (i) in the State Match Bond Accounts of the Bond Funds will, in the aggregate, equal an amount which will be no less than 120% of the amount necessary to pay the State Match Portion of principal and interest due on each Bond Payment Date on (x) all Bonds then Outstanding (except Bonds and Notes and interest thereon to be refunded from the proceeds of the Bonds or Notes to be issued), (y) the State Match Portion of Bonds to be issued, and (z) principal and interest estimated to be due and payable on Refunding Bonds to be issued as State Match Portion Refunding Bonds to refund Notes calculated as described in the immediately succeeding paragraph, and (ii) in the Leveraged Bond Accounts of the Bond Funds (including, for such purposes, the amounts on deposit in the Unrestricted Interest Repayments Accounts of the Bond Funds and not otherwise required to pay the State Match Portion of principal and interest due on such Bond Payment Date) will, in the aggregate, equal an amount which will be no less than 120% of the amount necessary to pay the Leveraged Portion of principal and interest due on each Bond Payment Date on (x) all Bonds then Outstanding (except Bonds and Notes and interest thereon to be refunded from the proceeds of the Bonds or Notes to be issued), (y) the Leveraged Portion of Bonds to be issued and (z) principal and interest estimated to be due and payable on Refunding Bonds to be issued as Leveraged Portion Refunding Bonds to refund Notes calculated as described in the immediately succeeding paragraph. For purposes of the foregoing, interest payable on any future Bond Payment Date with respect to (i) any Bonds or proposed Bonds with respect to which a Qualified Interest Rate Agreement applies shall be calculated as provided in the Master Indenture and any related Series Resolution and (ii) any Variable Rate Bonds shall be calculated as provided in the Master Indenture and any related Series Resolution.

For purposes of calculating the State Match Portion and Leveraged Portion of debt service, any Coverage Certificate (A) shall disregard principal and interest due or to become due with respect to any Notes which will be Outstanding during any such period and (B) shall include estimated principal and interest amounts to become due as a result of the issuance of Refunding Bond the proceeds of which are to be used to pay the Redemption Price of any such Notes; provided, if Notes are to be issued to refund Outstanding Notes, the interest on such refunding Notes shall be taken into account for the period such Notes are expected to remain Outstanding. For purposes of such estimates, the Coverage Certificate shall assume such Refunding Bonds shall be issued on a date within three months of the stated maturity date of the Notes to be refunded, with substantially level annual debt service for a stated term of not to exceed twenty-five years, and bearing interest at a rate or rates which are 100 basis points (1.0% per annum) in excess of the then applicable rates for comparable maturities of municipal bonds of comparable credit rating as set forth in a nationally recognized municipal market publication, including, without limitation, interest rate scales published by Municipal Market Data, a division of Thomson Reuters, any successor or any other similar nationally recognized service.

### **Default and Remedies**

The following are Events of Default under the Master Indenture:

- (a) Failure of the District to pay principal or the redemption price of any Bond or Note when due;
- (b) Failure of the District to pay interest on any Bond when due;
- (c) If as a result of a withdrawal of funds from either Reserve Fund either (i) the amounts on deposit in such Reserve Fund are at any time less than any applicable Total Reserve Requirement or (ii) the sum of the amounts on deposit in the State Match Reserve Account and the Unrestricted Reserve Account of either Reserve Fund are at any time less than any applicable State Match Reserve Requirement and such deficiency in either the Restricted Reserve Account or the Unrestricted Reserve Account of such Reserve Fund shall have existed for a period of six consecutive months during which the deficiency shall not have been replenished from any source;
- (d) If as a result of a decline in market value either (i) the amounts on deposit in either Reserve Fund are at any time less than 90% of any applicable Total Reserve Requirement or (ii) the sum of the amounts on deposit in the State Match Reserve Account and the Unrestricted Reserve Account of either Reserve Fund are at any time less than 90% of any applicable State Match Reserve Requirement and such deficiency in either the Restricted Reserve Account or the Unrestricted Reserve Account of either Reserve Fund shall have existed for a period of six consecutive months during which the deficiency shall not have been replenished or otherwise eliminated from any source;
- (e) The District shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Master Indenture or any Series Resolution or in the Bonds or Notes, and such failure shall continue for a period of thirty days after written notice thereof to the District by the Trustee or to the District and to the Trustee by the Holders of not less than twenty-five percent (25%) in the aggregate of the principal amount of the Bonds outstanding; or
- (f) Filing by the District of a petition seeking a composition of indebtedness under the federal bankruptcy law or other applicable federal or state law.

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in the aggregate of the principal amount of the Bonds and Notes outstanding and with any necessary consent of a credit enhancement provider, together with indemnification of the Trustee to its satisfaction therefor, the Trustee shall, proceed forthwith to protect and enforce its rights and the rights of the Holders of Bonds or Notes under the Bonds, the Notes and the Master Indenture by such suits, action or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Enforcement of the right of the Holders of the Bonds and Notes to require the District to collect and enforce the payment of principal of and interest due or becoming due on the Loan Obligations and to collect and enforce any rights in respect to the Loan Obligations as may be set forth in any resolutions therefor or the Loan Agreements and, to require the District to carry out its duties, obligations and agreements under the terms of the Master Indenture and any Series Resolution authorizing the issuance of Bonds or Notes of any Series then outstanding, and to require the District to perform its duties under the Act;
- (ii) Suit upon all or any part of the Bonds or Notes;
- (iii) Civil action to require the District to account as if it were the trustee of an express trust for the Holders of the Bonds and Notes;
- (iv) Civil action to enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of the Bonds or Notes; and
- (v) Enforcement of any other right of the Holders of Bonds or Notes conferred by law or by the Master Indenture.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in the aggregate of the principal amount of the Bonds and Notes then outstanding and with any consent of a credit enhancement provider, shall, upon being indemnified to its satisfaction therefor institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts that may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Holders of Bonds or Notes, provided that such request is in accordance with the law and the provisions of the Master Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds or Notes not making such request.

Actions taken by the Trustee are subject to the rights of the Holders of a majority in principal amount of the outstanding Bonds and Notes to direct the method and place of conducting all proceedings under the Master Indenture or to waive any Default (other than Default in the payment of the principal of any Bond at the date of maturity), upon compliance with the terms and conditions of the Master Indenture. The Master Indenture provides that a Series Resolution may confer certain rights to providers of credit enhancement in connection with the exercise of remedies, including the power and authority to provide consents and waivers on behalf of the Holders of the Bonds or Notes secured by the credit enhancement provided by such credit enhancement provider.

#### **Certain Conditions Relating to Acceptance of Prepayment of Loan Obligations**

The District has generally required the Loan Agreements to contain a prohibition against prepayment of Loan Obligations in advance of their scheduled maturity dates, but has allowed certain Borrowers to prepay Loan Obligations. The Master Indenture provides that the District may waive such prepayment restrictions allocable to each Program in an annual cumulative amount not exceeding the

greater of \$5,000,000 or 5% the unpaid principal amount of Loan Obligations as of the most recent August 1 (the "Annual Prepayment Amount"). In the event that the District determines it is necessary or appropriate to waive such prepayment restrictions in an amount which will exceed the Annual Prepayment Amount for a Program in a Bond Year (defined as the period beginning on August 2 of any year through August 1, of the succeeding year), then prior to waiving such prepayment restrictions and accepting prepayments which are not otherwise permitted by the terms of the Loan Obligations, the District shall first cause to be prepared and shall file with the Trustee (1) a list of Loan Obligations to be so prepaid in an amount in excess of the Annual Prepayment Amount as described in this paragraph, and (2) a Coverage Certificate which, with supporting schedules, shall demonstrate that the adjusted Projected Revenues (which, for such purposes shall reflect such Loan Obligations as prepaid and applied as the District shall reasonably project) will be at least 120% of the Allocable Portion of principal and interest due in such year on the State Match Portion and the Leveraged Portion on all then Outstanding Bonds for such Program plus any Refunding Bonds expected to be issued to provide for the payment of the redemption price of any Outstanding Notes. Within 30 days of receipt of any such prepayment in excess of the Annual Prepayment Amount, the District shall provide a copy of the items described in clauses (1) and (2) above in this paragraph to any Rating Agency then maintaining a rating with respect to any Outstanding Bonds or Notes.

### **Covenants and Miscellaneous**

The District covenants and agrees, so long as the Bonds or Notes of any Series shall be outstanding, and subject to the limitations on its obligations established in the Master Indenture, to the following requirements:

Payment of Bonds and Notes. The District will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Master Indenture and each Series Resolution and in each and every Bond and Note executed, authenticated and delivered and will pay or cause to be paid, but solely from the sources specified in the Master Indenture and any Series Resolution, the principal of and interest on every Bond issued on the dates, at the places and in the manner prescribed in the Bonds or Notes, as applicable.

Authority of the District. The District is duly authorized under the constitution and laws of the State to execute and deliver the Master Indenture and to make the covenants as provided therein.

Accounts and Reports. The District shall keep or cause to be kept properly, books of accounts and records, in which full, true and correct entries will be made of all dealings and transactions relating to the operation of the Program. A copy of an annual report, which the District is required to provide for each year ended September 30 by the following December 31, will be mailed to any Holder who makes a written request with the Trustee. The report is required to include a schedule of outstanding Bonds and Notes, a schedule of Loan Obligations and the status of the Reserve Fund and other Funds, Accounts and Subaccounts.

Compliance with Federal Acts. The District will not cause or permit any funds received under a Letter of Credit or held in any Fund or Account established under the Master Indenture to be applied in a manner which is in violation of any provision of the either Federal Act.



## 2010 Amendments to Master Indenture

In connection with the issuance of the Series 2010 Bond Anticipation Notes, the District and the Trustee have agreed to amend the 2009 Master Indenture, and those amendments are reflected in the foregoing summary. However, for convenience, those amendments are also summarized here and cross-references are provided to the principal provisions addressed elsewhere herein.

### *Amendment to the definition of “Investment Obligations.”*

The definition of “Investment Obligations” is expanded in the Fifth Amended and Restated Master Trust Indenture to include:

“...the South Dakota Cash Flow Fund provided the District determines that such fund invests solely in investments authorized by SDCL 4-5-26 or other investments which the District is authorized to acquire and hold.”

The “South Dakota Cash Flow Fund” is a program operated by the South Dakota Investment Council, or its lawful successor, for the investment of state funds and other public moneys. Pursuant to existing statutory law and policy, the Investment Council is limited to investing funds in the South Dakota Cash Flow Fund to investments which are authorized by SDCL, Section 4-5-26 which permits investment in the following classes of securities and investments:

- (1) Direct and indirect obligations of the United States government;
- (2) Agencies and instrumentalities of the United States government;
- (3) Direct obligations of the State of South Dakota and any of its political subdivisions;
- (4) Obligations consisting of notes, bonds, debentures, and certificates which are direct obligations of a solvent corporation or trust existing under the laws of the United States or any state thereof, if such investments are rated in the four highest classifications established by at least two standard rating services; or
- (5) Savings accounts, share accounts, certificates of deposit of banks, savings and loan associations, building and loan associations, and bankers’ acceptances;
- (6) In addition to the investments authorized by subdivisions (1) to (5) of this section, inclusive, the investment council may also allocate a sum certain of state public funds for investment in the accounts and certificates of South Dakota banks and associations. This sum shall initially be offered to South Dakota banks and associations, and if not initially fully subscribed, the investment officer shall immediately reoffer the unsubscribed sum to other qualified public depositories [as defined by statute].

### *Amendment to provisions allowing transfers of funds between Leverage Loan Account and State Match Loan Account.*

Various types of transfers of funds within and between the Programs were allowed under the previous several versions of the Amended and Restated Master Trust Indenture. However, Section 5.19 of the prior version of the Amended and Restated Master Trust Indenture appeared to not authorize a transfer of funds from a Leverage Loan Account to a State Match Loan Account, or vice versa. The Fifth Amended and Restated Master Trust Indenture expanded the permissible transfers to include such a

transfer from a Leverage Loan Account to a State Match Loan Account (or vice versa) of either Program or between Programs subject to the satisfaction of the following conditions:

Delivery to the Trustee of a certificate of an Authorized Representative of the District stating that:

(i) the District has determined that it is necessary to transfer funds from a Loan Account to another Loan Account, specifying the amounts, proposed date of transfer (the “Transfer Date(s)”) and precise Loan Accounts and related Programs;

(ii) the District has determined that such transfer is not prohibited by any Relevant Federal Act;

(iii) the proposed use of funds, upon transfer, is authorized by State law and not prohibited by this Indenture; and

(iv) indicating the adjusted Leveraged Portion and/or State Match Portion of Bonds for each Program as a result of such transfer of funds; and

Delivery to the Trustee and each Rating Agency of a Coverage Certificate that demonstrates that, based upon the Adjusted State Match Portion and/or Adjusted Leveraged Portion for each Program to be affected by any such transfer, the debt service coverage tests established by Section 2.11(b) of the Master Trust Indenture shall be satisfied as of the proposed Transfer Date (see “**SOURCE OF PAYMENT AND SECURITY – Additional Bonds and Notes**” herein).

**EXISTING LOAN OBLIGATIONS**

**Drinking Water Loans in Repayment  
(as of March 31, 2010)**

<u>Loan</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>Security</u>
Aberdeen #1A	\$8,149,366	3.50%	4/15/2026	Water Rev.
Aberdeen #1B	6,069,539	3.50%	4/15/2026	Water Rev.
Baltic	192,302	3.50%	1/15/2024	Water Rev.
BDM Rural Water (N)	213,993	3.50%	1/15/2024	Water Rev.
Big Stone City #1	342,060	5.25%	10/1/2019	GO & Water
Big Stone City #2	116,135	3.50%	7/1/2025	GO & Water
Black Hawk WUD #1	306,327	5.25%	1/1/2020	Water Rev.
Black Hawk WUD #2	1,066,674	3.25%	4/15/2030	Water Rev.
Brandon	777,919	4.75%	1/1/2015	Water Rev.
Britton	229,938	4.50%	7/1/2022	Water Rev.
Brookings Deuel RWS #1 (N)(D)	945,584	3.25%	4/15/2037	Water Rev.
Brookings Deuel RWS #2 (N)(D)	1,685,425	3.25%	1/15/2038	Water Rev.
Bryant (D)	115,111	3.00%	1/1/2032	Water Rev.
Burke	107,530	2.50%	1/15/2037	Water Rev.
Canton	400,621	3.50%	12/1/2024	Water Rev.
Centerville (D)	772,012	3.25%	1/1/2035	Water Rev.
Chamberlain	271,545	3.25%	7/15/2029	Sales Tax
Chancellor	194,262	3.25%	7/15/2037	Project Fee
Clay RWS #1 (N)(D)	4,108,576	3.25%	7/15/2037	Water Rev.
Clear Lake (D)	417,638	3.00%	10/1/2030	Water Rev.
Colonial Pine Hills	453,881	3.50%	1/1/2023	Water Rev.
Colton (D)	555,363	3.50%	7/1/2034	Water Rev.
Crooks	114,181	3.25%	7/15/2025	Water Rev.
Custer	612,673	3.50%	2/15/2024	Water Rev.
Dakota Dunes	64,872	3.50%	7/1/2012	Water Rev.
Dell Rapids #1	501,461	3.50%	1/15/2025	Water Rev.
Dell Rapids #2	144,090	3.25%	1/15/2027	Water Rev.
Delmont (D)	148,904	2.50%	10/15/2039	Water Rev.
Elk Point #1	159,683	3.50%	1/15/2023	Water Rev.
Elk Point #2	495,627	3.25%	7/15/2026	Water Rev.
Elk Point #3	107,081	3.25%	7/15/2028	Water Rev.
Eureka	100,261	0.00%	7/15/2017	Project Fee
Fall River #1 (D)	612,791	3.00%	10/1/2031	Water Rev.
Fall River #2 (D)	217,967	2.50%	4/1/2033	Water Rev.
Garretson (D)	968,007	3.50%	7/1/2034	Water Rev.
Gregory (D)	285,803	2.50%	1/1/2033	Water Rev.
Groton #1	356,885	3.50%	1/15/2025	Sales Tax
Groton #2	266,196	3.25%	4/15/2026	Sales Tax
Harrisburg #1	368,284	5.00%	1/1/2022	Water Rev.
Harrisburg #2	1,234,923	3.25%	10/15/2028	Water Rev.
Hartford #2	634,004	3.50%	1/15/2024	Water Rev.
Hartford #3	997,875	3.25%	4/15/2027	Water Rev.
Hermosa	183,015	5.00%	1/1/2020	Water Rev.
Humboldt	446,386	3.25%	4/15/2028	Project Fee
Huron #3	3,180,603	3.50%	4/1/2024	Water Rev.
Keystone	541,609	3.25%	4/15/2026	Sales Tax
Kingbrook #1 (N)(D)	348,796	0.00%	4/1/2032	Water Rev.

<u>Loan</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>Security</u>
Kingbrook #2 (N)(D)	1,912,875	3.25%	10/1/2035	Water Rev.
Kingbrook #3 (N)	2,785,371	3.25%	4/1/2027	Water Rev.
Kingbrook #4 (N)	2,197,944	3.25%	10/1/2028	Water Rev.
Lead #1	61,879	4.50%	1/1/2013	Water Rev.
Lead #2 (D)	\$174,148	3.25%	10/1/2035	Water Rev.
Lennox (D)	1,886,520	3.25%	4/15/2037	Water Rev.
Lincoln Co RWS (N)	875,316	3.50%	1/15/2025	Water Rev.
Martin (D)	823,437	2.50%	10/15/2035	Water Rev.
McLaughlin (D)	319,168	2.50%	4/15/2036	Water Rev.
Milbank (D)	4,008,091	2.50%	10/15/2035	Project Fee
Miller	202,901	2.50%	1/15/2020	Water Rev.
Mina Lake San & Water Dist	164,715	5.00%	10/1/2020	Water Rev.
Minnehaha CWC (N)	4,756,529	3.50%	7/15/2024	Water Rev.
Mitchell	2,248,101	4.00%	4/1/2024	Water Rev.
Mobridge #3 (D)	203,688	2.50%	1/15/2038	Water Rev.
Mobridge #4 (D)	59,939	2.50%	4/15/2038	Water Rev.
Nisland (D)	277,083	0.00%	1/1/2034	Project Fee
Parker #1	641,406	3.25%	1/15/2027	Water Rev.
Parker #2	200,043	3.25%	10/15/2028	Project Fee
Pierre #1	572,677	3.50%	1/1/2018	Water Rev.
Pierre #2	1,379,671	3.50%	10/1/2020	Water Rev.
Platte	184,564	2.50%	1/15/2016	Water Rev.
Rapid City #1	3,337,779	3.50%	1/15/2028	Water Rev.
Redfield #1	53,278	4.50%	10/1/2020	Water Rev.
Redfield #2 (D)	226,832	2.50%	10/1/2039	Water Rev.
Salem #1	58,472	3.50%	7/15/2014	Water Rev.
Salem #2	295,331	3.25%	4/15/2027	Water Rev.
Salem #3 (D)	1,324,856	3.25%	4/15/2039	Project Fee
Scotland (D)	208,596	2.50%	4/15/2035	Sales Tax
Sioux Falls #1	399,475	4.50%	7/1/2010	Water Rev.
Sioux Falls #2	817,671	4.50%	1/1/2013	Water Rev.
Sioux Falls #3	3,690,696	3.50%	4/1/2014	Water Rev.
Sioux Falls #4	151,758	3.50%	1/1/2015	Water Rev.
Sioux Falls #5	7,712,218	2.50%	7/1/2016	Sales Tax
Sioux Falls #6	4,213,261	2.50%	1/15/2020	Water Rev.
Sioux Falls #7	2,200,000	2.50%	1/15/2020	Water Rev.
Sioux Falls #8	2,007,413	2.50%	7/15/2019	Water Rev.
South Lincoln RWS (N)	1,688,371	3.50%	1/15/2025	Water Rev.
Tea #1	2,097,499	3.25%	1/15/2028	Water Rev.
Tripp (D)	188,481	2.50%	4/15/2033	Water Rev.
Tripp County WUD #1 (D)	3,046,682	2.50%	10/15/2034	Water Rev.
Tripp County WUD #2 (D)	108,462	0.00%	10/15/2034	Water Rev.
Tyndall #1 (D)	41,348	2.50%	7/1/2011	Water Rev.
Tyndall #2 (D)	764,588	2.50%	10/1/2035	Water Rev.
Vermillion #1	503,971	5.00%	7/1/2020	Water Rev.
Vermillion #2	1,174,440	3.50%	7/1/2024	Water Rev.
Vermillion #3 (D)	3,369,944	2.50%	1/1/2028	Project Fee
Viborg	102,619	3.25%	7/15/2029	Water Rev.
Wagner #1 (D)	718,750	0.00%	10/15/2038	Water Rev.
Wagner #2 (D)	163,333	0.00%	1/15/2038	Water Rev.
Waubay (D)	728,659	2.50%	10/15/2038	Project Fee

<u>Loan</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>Security</u>
Webster	238,385	3.50%	7/1/2023	Water Rev.
Wolsey	207,265	3.25%	7/15/2027	Sales Tax
Worthing	238,994	3.50%	4/1/2025	Water Rev.
Yankton #1	2,631,213	3.50%	10/1/2023	Water Rev.
Yankton #2	<u>873,291</u>	3.25%	7/15/2029	Water Rev.
	<u>\$ 112,103,776</u>			

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(N) Nonprofit Borrower  
(D) Disadvantaged Community

## Drinking Water Loans Closed

<u>Loan</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>First Payment Date</u>	<u>Loan Term</u>	<u>Security</u>
Aberdeen #2	\$ 1,575,000	2.25%	4/1/2012	10 years	Water Rev.
Baltic #2	148,500	2.25%	4/1/2012	10 years	Water Rev.
Canistota (D)	112,500	3.00%	10/15/2011	30 years	Water Rev.
Chamberlain #2	700,000	3.00%	4/1/2012	20 years	Sales Tax
Clay RWS #2 (N)	146,300	3.00%	4/1/2012	20 years	Water Rev.
Colonial Pine Hills #2	750,000	3.00%	4/1/2012	20 years	Water Rev.
Corson Village	60,173	3.00%	7/1/2012	20 years	Water Rev.
DeSmet (D)	232,200	2.25%	4/1/2012	30 years	Water Rev.
Elk Point #4	564,000	3.25%	10/15/2010	20 years	Water Rev.
Elk Point #5	579,500	3.00%	4/1/2012	20 years	Water Rev.
Hanson RWS (N)(D)	336,000	3.00%	4/1/2012	30 years	Water Rev.
Harrisburg #3	2,090,000	3.25%	1/15/2011	20 years	Water Rev.
Hill City (D)	160,800	3.00%	7/1/2012	30 years	Water Rev.
Huron #2	558,000	3.00%	7/1/2012	20 years	Water Rev.
Ipswich (D)	311,250	3.00%	4/1/2012	30 years	Water Rev.
Lead #3 (D)	600,000	3.00%	4/1/2012	30 years	Water Rev.
Mellette (D)	163,068	3.00%	7/1/2012	30 years	Water Rev.
Mid Dakota RWS #1 (N) (D)	12,000,000	2.00%	1/1/2011	3 years	Water Rev./USDA Loan Proceeds
Mina Lake San & Water Dist #2	283,695	3.00%	7/1/2012	20 years	Water Rev.
Mitchell #2	2,006,000	3.00%	4/1/2012	20 years	Water Rev.
Newell (D)	622,125	2.25%	7/1/2012	30 years	Water Rev.
New Underwood	105,300	3.00%	4/1/2012	20 years	Water Rev.
Northville	40,692	3.00%	7/1/2012	20 years	Water Rev.
Parker #3	102,100	3.00%	4/1/2012	20 years	Water Rev.
Rapid City #2	6,000,000	3.00%	10/15/2011	20 years	Water Rev.
Sioux Falls #9	3,220,875	2.25%	1/15/2012	10 years	Water Rev.
Sioux Falls #10	6,846,210	2.25%	1/15/2012	10 years	Water Rev.
Sturgis #2	776,700	2.25%	4/1/2012	10 years	Water Rev.
Watertown	23,760,000	3.25%	7/1/2010	20 years	Water Rev.
Wolsey #2	162,300	3.25%	7/15/2010	20 years	Sales Tax
Woonsocket (D)	303,500	3.00%	7/1/2012	30 years	Water Rev.
Yankton #3	2,700,000	3.00%	1/1/2012	20 years	Water Rev.
Yankton #4	<u>1,980,000</u>	3.00%	7/1/2012	30 years	Water Rev.
	<u>\$69,996,788</u>				

## Drinking Water Loans Approved, But Not Closed

	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Loan Term</u>	<u>Security</u>
Letcher	\$ 200,000	2.25%	30 years	Water Rev.
Oacoma	1,093,320	3.00%	20 years	Sales Tax
Wagner #3	<u>220,000</u>	0.00%	30 years	Water Rev.
	<u>\$1,513,320</u>			

(N) Nonprofit Borrower  
(D) Disadvantaged Community

**Clean Water Loans in Repayment  
(as of March 31, 2010)**

<u>Loan</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>Security</u>
Aberdeen #1	\$11,068,866	2.25%	10/15/2027	Project Fee
Aberdeen NPS #1	460,064	2.25%	10/15/2027	Project Fee
Aurora	221,847	5.00%	1/1/2022	Sewer Rev.
Baltic #1	312,037	3.50%	1/15/2024	Sewer Rev.
Belle Fourche #1	43,103	3.00%	1/1/2013	Sewer Rev.
Black Hawk San. District	397,313	3.50%	10/15/2025	Sewer Rev.
Box Elder	24,930	3.00%	10/1/2010	GO
Bridgewater #1	51,105	5.25%	1/1/2019	Sales & Sewer
Bridgewater #2	285,581	3.25%	1/15/2027	Sewer Rev.
Britton #2	233,734	3.50%	10/1/2024	Sewer Rev.
Burke #1	143,615	3.25%	1/15/2028	Sewer Rev.
Canton #2	480,693	3.50%	12/1/2024	Sewer Rev.
Castlewood #1	161,400	3.50%	7/15/2023	Sewer Rev.
Castlewood #2	142,080	3.25%	1/15/2027	Sewer Rev.
Centerville #1	384,605	3.50%	4/1/2024	Sewer Rev.
Chamberlain #4	260,301	5.25%	4/1/2019	Sales Tax
Clark #1	322,896	3.50%	1/15/2025	Sewer Rev.
Clear Lake #2	589,819	3.25%	7/15/2026	Sewer Rev.
Colton #1	162,011	3.25%	10/15/2027	Sewer Rev.
Crooks #1	418,210	3.25%	10/15/2029	Sewer Rev.
Dell Rapids #2	504,302	3.25%	4/15/2027	Sewer Rev.
Dell Rapids #3	1,023,628	3.25%	1/15/2029	Sewer Rev.
Dell Rapids #4	950,000	3.25%	4/15/2030	Sewer Rev.
Elk Point #2	344,994	3.50%	4/15/2023	Sewer Rev.
Elk Point #3	286,429	3.50%	7/15/2025	Sales Tax
Elk Point #4	95,657	3.25%	7/15/2028	Sewer Rev.
Elk Point #5	148,661	3.25%	10/15/2029	Sewer Rev.
Fort Pierre #2	276,494	3.50%	4/1/2018	Sewer Rev.
Fort Pierre #3	380,418	3.50%	6/1/2026	Sewer Rev.
Freeman #1	196,160	2.50%	4/15/2016	Sewer Rev.
Freeman #2	792,861	3.25%	10/15/2029	Sales Tax
Gayville #1	69,559	3.25%	4/15/2014	Sales & Sewer
Groton #3	268,137	5.25%	1/1/2019	Sewer Rev.
Groton #4	100,095	3.50%	7/15/2024	Sales Tax
Groton #5	356,885	3.50%	1/15/2025	Sewer Rev.
Groton #6	55,358	3.25%	7/15/2029	Sales Tax
Harrold #1	111,179	3.25%	1/15/2030	Sales Tax
Hartford #1	359,410	5.00%	4/1/2022	Sewer Rev.
Hartford #2	493,206	5.00%	4/1/2022	Sales Tax
Hartford #3	211,071	3.50%	10/1/2022	Sewer Rev.
Hartford #4	426,110	3.50%	1/15/2024	Sewer Rev.
Hartford #5	495,018	3.25%	10/15/2028	Sewer Rev.
Highmore	201,764	3.50%	1/1/2024	Sales & Sewer
Hot Springs NPS #1	353,516	5.00%	10/1/2015	Solid W. & Sales



<u>Loan</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>Security</u>
Huron #3	879,087	5.25%	3/10/2017	Sewer Rev.
Jefferson	136,413	3.50%	4/15/2025	Sewer Rev.
Lake Cochrane San. Dist. #1	1,316	3.00%	6/1/2010	GO & Sewer
Lake Cochrane San. Dist. #2	125,206	3.50%	1/15/2025	Sewer Rev.
Lake Madison San. Dist. #2	497,461	3.50%	1/1/2025	Sewer Rev.
Lake Poinsett San Dist #2	1,077,909	3.50%	7/15/2039	Sewer Rev.
Lead #1	16,195	3.00%	8/1/2011	Sewer Rev.
Lead #4	76,771	4.50%	1/1/2013	Sewer Rev.
Lead #5	182,137	3.25%	10/1/2025	Sewer Rev.
Lead #6	234,659	3.25%	7/1/2029	Sewer Rev.
Lennox #1	164,717	5.25%	1/1/2017	Sewer Rev.
Lennox #2	335,321	5.25%	1/1/2019	Sewer Rev.
Madison #2	4,932,766	3.25%	10/15/2029	Sewer Rev.
McCook Lake San. Dist.	174,799	5.00%	12/1/2013	Sewer Rev.
Mitchell #2	1,113,723	3.50%	10/1/2025	Solid Waste
Mobridge #1	154,178	3.00%	10/1/2011	Sewer Rev.
Mobridge #3	358,418	4.50%	4/1/2012	Sales Tax
Montrose #1	31,383	2.50%	10/15/2017	Sewer Rev.
Nisland	183,872	3.25%	1/1/2027	Project Fee
North Sioux City #2	116,310	5.00%	1/1/2012	Sp. Assessment
Parker #1	355,949	3.25%	10/15/2025	Sewer Rev.
Parker #2	456,795	3.25%	10/15/2028	Sewer Rev.
Parkston #1	635,690	3.25%	1/15/2030	Sewer Rev.
Philip #1	48,739	5.00%	6/1/2011	Sales Tax
Philip #2	180,491	5.25%	12/1/2018	Sales & Sewer
Philip #3	260,296	3.25%	1/1/2022	Sales Tax
Pickerel Lake #1	153,087	5.25%	1/1/2018	Sewer Rev.
Pickerel Lake #2	142,982	5.25%	1/1/2019	Sewer Rev.
Pierre #2	2,562,702	5.25%	1/1/2019	Sales Tax
Pierre #3	3,544,259	5.00%	1/1/2021	Sewer Rev.
Pierre #4	960,783	3.50%	1/1/2025	Sales Tax
Rapid City #5	10,363,011	4.50%	10/15/2022	Sewer Rev.
Rapid Valley San. Dist. #2	21,579	4.00%	11/1/2010	Sewer Rev.
Rapid Valley San. Dist. #3	332,599	5.25%	1/1/2018	Sewer Rev.
Salem #1	409,423	3.50%	7/15/2024	Sewer Rev.
Salem #2	336,848	3.25%	7/15/2026	Sewer Rev.
Scotland #1	205,337	3.50%	4/15/2025	Sales Tax
Sioux Falls #1	424,961	3.00%	7/15/2012	Sales Tax
Sioux Falls #14	1,299,225	4.50%	6/15/2012	Sewer Rev.
Sioux Falls #15	736,519	3.50%	10/15/2014	Sewer Rev.
Sioux Falls #16	1,330,839	3.50%	1/15/2015	Sewer Rev.
Sioux Falls #17	295,785	3.50%	1/15/2015	Storm Sewer
Sioux Falls #18	2,608,499	2.50%	7/1/2016	Sewer Rev.
Sioux Falls #19	281,634	2.50%	7/1/2016	Storm Sewer
Sioux Falls #20 NPS	924,209	1.50%	4/15/2017	Storm Sewer
Sioux Falls #20A	11,836,034	1.50%	4/15/2017	Storm Sewer
Sioux Falls #20B	6,435,843	1.50%	4/15/2017	Storm Sewer
Sioux Falls #21 NPS	1,713,869	2.25%	4/15/2027	Sewer Rev.

<u>Loan</u>	<u>Outstanding Balance</u>	<u>Interest Rate</u>	<u>Final Payment Date</u>	<u>Security</u>
Sioux Falls #21A	11,095,248	2.25%	4/15/2027	Sewer Rev.
Sioux Falls #21B	15,452,577	2.25%	4/15/2027	Sewer Rev.
Sioux Falls #22	8,440,056	2.50%	10/15/2017	Sales Tax
Sioux Falls #23	8,926,485	2.50%	7/15/2018	Sales Tax
Sioux Falls #24	416,990	2.50%	10/15/2015	Solid Waste Rev.
Sioux Falls #25	2,516,140	2.50%	1/15/2020	Sewer Rev.
Sioux Falls #26	3,092,469	2.50%	4/15/2020	Sewer Rev.
Sioux Falls #27	2,146,111	2.50%	4/15/2020	Storm Sewer
Southern Missouri WMD	143,686	5.00%	10/1/2017	Solid Waste
Spearfish #2	5,658,584	3.25%	4/15/2030	Sewer Rev.
Tea #2	26,137	4.00%	10/1/2010	Storm Sewer Rev.
Tea #3	105,627	5.25%	1/1/2018	Sales Tax
Tea #4	121,062	5.00%	1/1/2014	Sewer Rev.
Tea #5	381,136	3.50%	4/1/2024	Sewer Rev.
Tea #6	758,732	3.25%	1/15/2029	Sewer Rev.
Tyndall #1	766,276	3.25%	1/15/2029	Project Fee
Valley Springs #1	252,133	5.25%	10/1/2019	Sewer Rev.
Valley Springs #2	296,144	3.25%	1/1/2026	Sales Tax
Vermillion #1	23,825	3.00%	3/1/2013	Sewer Rev.
Vermillion #2	24,237	4.00%	12/1/2010	Storm Sewer Rev.
Vermillion #3	216,525	3.50%	9/1/2024	Sewer Rev.
Vermillion #4	2,867,547	3.25%	7/1/2026	Sewer Rev.
Wagner #1	133,331	3.25%	1/15/2029	Sewer Rev.
Wall Lake San. District	132,834	3.50%	10/1/2023	Sewer Rev.
Watertown #3	1,189,199	5.25%	10/1/2016	Sewer Rev.
Watertown #5	1,761,563	3.50%	1/1/2025	Project Fee
Watertown #6	1,125,091	2.25%	4/1/2029	Sales Tax
Watertown #6 NPS	107,096	2.25%	7/1/2028	Sales Tax
Watertown #7	776,928	2.25%	1/1/2029	Project Fee
Watertown #7 NPS	77,951	2.25%	1/1/2029	Project Fee
Watertown #8	504,005	2.25%	1/1/2029	Sales Tax
Watertown #8 NPS	56,393	2.25%	1/1/2029	Sales Tax
Webster #2	603,721	3.50%	7/1/2023	Sewer Rev.
Weston Heights San Dist	564,319	3.25%	4/15/2028	Sewer Rev.
Whitewood #2	128,083	5.00%	7/1/2021	Sewer Rev.
Willow Lake	81,110	3.50%	1/15/2025	Sewer Rev.
Winner	218,959	3.25%	10/15/2028	Sewer Rev.
Wolsey	162,300	3.25%	4/15/2030	Sewer Rev.
Worthing #1	114,420	5.25%	7/1/2017	GO & Sewer
Yankton #1	1,694,650	5.25%	10/1/2020	Sewer Rev.
Yankton #2	3,097,024	6.00%	4/1/2021	Sewer Rev.
Yankton #3	<u>4,567,409</u>	3.50%	10/1/2023	Sewer Rev.
	<u>\$165,139,858</u>			

## Clean Water Loans Closed

<u>Loan</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>First Payment Date</u>	<u>Loan Term</u>	<u>Security</u>
Aberdeen #2	\$ 6,000,000	3.25%	7/15/2010	20 years	Project Fee
Aurora #2	660,000	3.25%	7/1/2012	30 years	Sewer Rev.
Baltic #2	233,000	3.00%	10/15/2011	20 years	Sewer Rev.
Brandon #4	344,925	2.25%	1/1/2012	10 years	Sewer Rev.
Brookings #2	1,071,000	3.00%	7/15/2011	20 years	Sales Tax
Canistota #1	196,650	3.25%	1/15/2012	30 years	Sewer Rev.
Canistota #2	188,669	3.25%	7/15/2012	30 years	Sewer Rev.
Canton #3	1,621,500	3.00%	3/1/2012	20 years	Sewer Rev.
Elk Point #6	838,530	3.00%	1/15/2012	20 years	Project Fee
Elkton #1	270,000	3.00%	4/15/2012	20 years	Project Fee
Fort Pierre #5	900,000	3.00%	10/1/2011	20 years	Sewer Rev.
Garretson #2	507,445	3.25%	10/15/2010	20 years	Sewer Rev.
Gregory	357,000	3.00%	7/1/2012	20 years	Sewer Rev.
Gettysburg	541,600	3.00%	7/1/2012	20 years	Sewer Rev.
Groton #7	407,700	3.00%	7/1/2012	20 years	Sewer Rev.
Harrisburg #3	5,911,800	3.25%	1/1/2012	30 years	Sales Tax
Hecla	129,051	3.00%	7/1/2012	20 years	Sewer Rev.
Lennox #4	1,819,249	3.25%	7/1/2012	30 years	Sewer Rev.
Marion #1	1,710,000	3.50%	1/15/2011	30 years	Sewer Rev.
Martin	237,250	3.25%	4/1/2012	30 years	Project Fee
Milbank #1	1,257,500	3.00%	7/1/2012	20 years	Sewer Rev.
Mitchell #3	1,534,224	2.00%	7/15/2011	20 years	Sewer Rev.
Mitchell #3 NPS	148,523	2.00%	7/15/2012	20 years	Sewer Rev.
Montrose #2	643,600	2.25%	7/1/2012	30 years	Sewer Rev.
Parker #3	454,692	3.25%	1/15/2012	30 years	Project Fee
Pierre #5	976,953	3.25%	10/1/2011	20 years	Sales Tax
Rapid City #6	5,000,000	3.00%	4/1/2012	20 years	Sewer Rev.
Sioux Falls #28	1,622,700	2.25%	4/15/2011	10 years	Sewer Rev.
Sioux Falls #29	2,286,000	2.25%	4/15/2011	10 years	Sewer Rev.
Sioux Falls #30	7,615,800	2.25%	1/15/2012	10 years	Sewer Rev.
Sioux Falls #31	1,773,000	2.25%	1/15/2011	10 years	Solid Waste
Sturgis #5	298,617	3.00%	1/15/2012	20 years	Project Fee
Vermillion #5	4,851,000	3.25%	7/1/2010	20 years	Project Fee
Vermillion #6	249,500	3.00%	10/1/2011	20 years	Sewer Rev.
Watertown #9	14,801,400	3.00%	4/1/2012	20 years	Sales Tax
Watertown #10	2,997,000	3.00%	4/1/2012	20 years	Sales Tax
Worthing #2	<u>580,000</u>	3.50%	7/15/2010	30 years	Project Fee
	<u>\$71,035,878</u>				

## Clean Water Loans Approved, But Not Closed

<u>Loan</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Loan Term</u>	<u>Security</u>
Wolsey	<u>\$901,560</u>	3.00%	20 years	Sales Tax
	<u>\$901,560</u>			

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## LIST OF POTENTIAL LOANS

## Clean Water Projects

<b><u>Borrower</u></b>	<b><u>Expected Loan Amount</u></b>
Brant Lake San. Dist.	\$ 2,500,000
Brookings #3	601,650
Brookings #4	2,020,500
Canova	84,150
Dell Rapids #5	560,000
Groton #8	316,500
Harrisburg #4	3,114,000
Hot Springs #2	1,250,000
Lake Poinsett #3	1,537,500
Mitchell #4	500,000
Sioux Falls #32	9,771,000
Spencer	130,000
Watertown #11	315,000
Worthing #3	<u>112,000</u>
	<u>\$22,812,300</u>

### Drinking Water Projects

<b><u>Borrower</u></b>	<b><u>Expected Loan Amount</u></b>
Bon Homme-Yankton WUD	\$ 2,300,000
Clay RWS #3	1,708,000
Colonial Pine Hills #3	200,000
Delmont #2	62,500
Gayville	137,500
Groton #4	420,000
Hot Springs	1,250,000
Huron #3	1,100,000
New Underwood #2	140,000
Oacoma #2	1,100,000
Parker #4	450,000
Sioux Falls #11	5,275,000
Sturgis #3	1,710,000
Viborg #2	510,000
Webster #2	212,000
Wilmot	175,000
Winner	<u>2,762,500</u>
	<u>\$19,512,500</u>

## APPENDIX D

### OBLIGATED PERSONS

The City of Sioux Falls is the Borrower under the Drinking Water Program with the largest amount of outstanding Loan Obligations. Sioux Falls, with 151,300 residents, is the largest city in South Dakota, accounting for more than 18% of the State's population.

The City of Sioux Falls has entered into ten separate Loan Obligations with the District to finance improvements to its water system. The outstanding unpaid principal amount of such Loan Obligations as of March 31, 2010 was \$25,679,845 and the amount of undisbursed funds authorized to be drawn under such Loan Obligations was an additional \$14,567,855. These amounts exclude any portion subject to principal forgiveness. There are no other Borrowers for which the sum of its outstanding Loan Obligations under the Drinking Water Program and the undisbursed amount of such Loan obligations exceeds 20% of the principal amount of all outstanding Loan Obligations under the Drinking Water Program.

The City's Drinking Water Loan Obligations are revenue bonds payable from the net revenues of the facilities financed by each loan. The purposes of these Loan Obligations include central pressure zone improvements, facility improvements, distributor line equipment and main replacement and improvement of operational efficiency, maintenance space and pressure zones, improvements to water treatment plant, and West Side Pump Station, replacement of water mains and upgrade of elevated furnish tanks and collective wells.

Water revenues, operating expenses and debt service coverage for obligations payable from the City's Water Fund for the past seven fiscal years were as follows:

Fiscal Year	Operating Revenue	Other Qualifying Revenue*	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements					Coverage
					Principal		Interest	Total		
					Certificates of Participation	State Revolving Fund				
2003	\$13,843,494	\$ --	\$8,752,262	\$5,091,232	\$1,470,000	\$ 726,135	\$ 696,482	\$2,892,617	1.76	
2004	13,857,261	--	8,762,605	5,094,656	1,540,000	1,181,626	699,247	3,420,873	1.49	
2005	14,057,551	530,680	9,029,121	5,559,110	1,615,000	1,545,631	722,314	3,882,945	1.43	
2006	15,910,153	435,825	9,358,592	6,987,386	1,695,000	1,769,474	702,419	4,166,893	1.68	
2007	18,044,570	2,290,664	10,262,761	10,072,473	-	2,368,558	2,803,686	5,172,244	1.95	
2008	19,814,189	2,663,172	10,905,003	11,572,358	-	2,689,044	3,639,576	6,328,620	1.83	
2009	20,980,694	147,323	11,406,759	9,721,258	-	2,931,120	3,496,683	6,427,803	1.51	

\* Pursuant to statutory changes, qualifying revenues were changed in 2005 to include investment revenue and cost recoveries.

The City is expected to outgrow its water resources for new development by 2012. To provide for the growth the City is a primary participant in the jointly governed Lewis and Clark Rural Water System to pump water from the Missouri River. The costs of meeting projected capacity needs are expected to require future increases in water rates. The City believes its water rates are relatively low and that there is adequate capacity to increase rates to fund further growth of the system.

The current water rates for the major categories of retail customers effective as of January 1, 2010 are as follows:

**Retail Water Rates: As of January 1, 2010**

**Residential**

Monthly Basic Charge	
5/8"	\$2.23
3/4"	3.01
1"	5.53
Volume charge-single family	
0-7 ccf	\$2.56
8-50 ccf	2.74
51 to 150 ccf	5.11
Over 150 ccf	7.67
Volume charge-multi-family	
Less than 2.5 monthly avg.	\$2.56
2.5 or more times monthly avg.	5.11

**Commercial**

Monthly Basic Charge	
5/8"	\$8.98
3/4"	9.78
1"	10.81
2"	17.31
Volume charge	
Less than 2.5 monthly avg.	\$2.23
2.5 or more times monthly avg.	4.46

**Industrial**

Monthly Basic Charge	\$1,102.15
Volume charge	
0-90,000 ccf	\$1.48
90,001-100,000 ccf	1.60
Over 100,000 ccf	1.64

The City of Sioux Falls has entered into 31 separate Loan Obligations with the District to finance improvements to its storm drainage and sanitary sewer systems and non-point source pollution projects. The outstanding unpaid principal amount of such Loan Obligations as of March 31, 2010 was \$82,160,923 and the amount of undisbursed funds authorized to be drawn under such Loan Obligations was an additional \$19,528,110. These amounts exclude any portion subject to principal forgiveness. There are no other Borrowers for which the sum of its outstanding Loan Obligations under the Clean Water Program and the undisbursed amount of such Loan obligations exceeds 20% of the principal amount of all outstanding Loan Obligations under the Clean Water Program.



The City's 19 presently outstanding Clean Water Loan Obligations are revenue bonds payable from sanitary sewer, storm sewer, solid waste and sales tax revenues. The purposes of these Loan Obligations include construction of a flow equalization basin, new interceptor lines and lift stations, rehabilitation of the existing sanitary sewer system and treatment facility, purchase of sludge handling equipment, improvements to the storm water drainage system and closure activities at the solid waste landfill. Of these 19 loans, ten of the loans with an outstanding balance of \$40,426,453 and \$18,926,585 of undisbursed loan funds are payable from net revenues of wastewater facilities; three of the loans with an outstanding balance of \$17,751,501 carry of pledge of sales tax revenues but are paid from net revenues of wastewater facilities; four of the loans with an outstanding balance of \$21,919,615 and \$474,889 of undisbursed loan funds are payable from storm drainage fee revenue; and two loans with an outstanding balance of \$2,063,354 and \$126,636 of undisbursed loan funds are payable from solid waste revenue.

Sewer revenues, operating expenses and debt service coverage for obligations payable from the City's Water Reclamation Fund for the past seven fiscal years were as follows:

Fiscal Year	Operating Revenue	Other Qualifying Revenue*	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements					Coverage
					Principal		Interest	Total		
					Revenue Bonds	State Revolving Fund				
2003	\$ 8,650,354	\$ --	\$5,350,667	\$3,299,687	\$ --	\$2,083,633	\$ 410,162	\$2,493,795	1.32	
2004	8,586,610	--	5,337,657	3,248,953	--	1,962,571	387,777	2,350,348	1.38	
2005	8,667,074	1,358,219	5,507,659	5,507,659	--	1,998,155	450,515	2,448,670	1.84	
2006	8,837,777	1,416,969	5,998,521	5,998,521	--	1,705,350	630,950	2,336,300	1.82	
2007	10,612,568	1,529,864	6,262,300	5,880,132	--	2,130,698	1,063,139	3,193,837	1.84	
2008	12,453,800	964,804	6,345,245	7,073,359	--	2,983,361	128,534	3,111,895	2.27	
2009	14,371,411	1,747,637	6,845,487	9,273,561	--	3,636,666	1,165,858	4,802,524	1.95	

\* Pursuant to statutory changes, qualifying revenues were changed in 2005 to include investment revenue and cost recoveries.

The current basic sewer rates are as follows:

**Sewer Rates: As of January 1, 2010**

**Monthly Residential Customers**

Basic Charge	\$2.61
Volume Charge	\$2.46 per 100 cubic foot

Volume charge shall be based on actual water use for the months of November, December, January, and February. All other months shall be based on the average of actual water usage in the months of November, December, January, and February. The City may adjust the months used for calculating sewer use charges if unusual weather conditions promote outdoor water use.

**Monthly Commercial Customers**

Basic Charge	\$10.49
Volume Charge	\$2.72 per 100 cubic foot

Volume charge shall be based on actual water use for the months of November, December, January, and February. All other months shall be based on the average of actual water usage in the months of November, December, January, and February. The City may adjust the months used for calculating sewer use charges if unusual weather conditions promote outdoor water use.

**Monthly Industrial Customers**

Basic Charge	\$10.67
Flow per 1,000 gallons	\$1.09
BOD, per pound	0.1805
TSS, per pound	0.1805
TKN, per pound	0.6617
Grease, per pound (exceeding 100 mg/1)	0.6015

For industries discharging only nonprocessed domestic strength wastewater, the rate is \$3.64 per 1,000 gallons.

Storm sewer revenues are derived primarily from a frontage tax imposed on varying rates according to the nature of the property.

Storm sewer revenues, operating expenses and debt service coverage for obligations payable from the City’s Storm Drainage Fund for the past seven fiscal years were as follows:

Fiscal Year	Operating Revenue	Other Qualifying Revenue*	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
					Principal	Interest	Total	Coverage
2003	\$3,331,129	\$ --	\$ 583,008	\$2,748,121	\$229,924	\$14,014	\$243,938	11.27
2004	3,905,414	--	769,407	3,136,007	137,652	27,505	165,157	18.99
2005	3,995,736	58,168	793,332	3,260,572	185,520	57,896	243,416	13.40
2006	4,561,891	134,886	872,451	3,824,326	119,188	18,919	138,107	27.69
2007	5,220,037	166,852	969,740	4,417,149	88,299	25,080	113,379	38.96
2008	7,403,220	190,083	1,381,954	6,211,349	91,055	25,116	116,171	53.47
2009	6,548,800	79,151	2,144,513	4,483,438	93,899	57,033	150,932	29.71

\* Pursuant to statutory changes, qualifying revenues were changed in 2005 to include investment revenue and cost recoveries.

Additional information relating to the financial condition of the City of Sioux Falls is set forth in the City’s Comprehensive Annual Financial Report which can be found on the City’s official website at [www.siouxfalls.org](http://www.siouxfalls.org).

**FORM OF BOND COUNSEL OPINION**

[To be dated the date of original issuance of the Series 2010 Bond Anticipation Notes]

South Dakota Conservancy District  
Joe Foss Building  
Pierre, South Dakota 57501

\$54,330,000  
South Dakota Conservancy District  
State Revolving Fund Program Bond Anticipation Notes  
Series 2010

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the South Dakota Conservancy District (the "District"), a governmental agency and body politic and corporate organized and existing under the constitution and laws of the State of South Dakota, of \$54,330,000 aggregate principal amount of its State Revolving Fund Program Bond Anticipation Notes, Series 2010 (the "Series 2010 Bond Anticipation Notes"). The Series 2010 Bond Anticipation Notes are authorized by a Series Resolution of the District adopted on August 10, 2010 (the "Series Resolution") and are issued under and pursuant to (i) the provisions of that certain Fifth Amended and Restated Master Trust Indenture dated as of September 1, 2010 as heretofore amended and supplemented (the "Master Indenture") by and between the District and The First National Bank in Sioux Falls, South Dakota, as trustee (the "Trustee"). The Master Indenture provides for the financing and administration of the District's Clean Water State Revolving Fund Program (the "Clean Water Program") and the District's Drinking Water State Revolving Fund Program (the "Drinking Water Program" and, together with the Clean Water Program, the "Programs"). The capitalized terms used herein which are not otherwise defined herein shall have the meanings assigned to them in the Master Indenture, as supplemented by the Series Resolution (collectively, the "Indenture").

The Series 2010 Bond Anticipation Notes are issuable as fully registered bonds in the denomination of \$100,000 or any integral multiple of \$5,000. The Series 2010 Bond Anticipation Notes mature on September 30, 2011 and are not subject to redemption prior to maturity.

As a result of certain federal restrictions on the use of particular funds in the Programs, the Indenture in effect divides each payment of principal of and interest on the Bonds of each series into a "Clean Water Portion" and a "Drinking Water Portion" in proportion to the amount of proceeds of the series of Bonds deposited in the Clean Water Program and the Drinking Water Program, respectively, and then subdivides both the Clean Water Portion and the Drinking Water Portion into a State Match Portion and Leveraged Portion either in proportion to the amounts of Bond proceeds allocated to such Program which are deposited in the State Match Loan Account and Leveraged Loan Account, respectively, of such Program or by assigning different percentages of debt service as between Programs for one or more maturities of Bonds of a series. Accordingly, each payment of principal and interest on each series of Bonds may have a "Clean Water State Match Portion", a "Drinking Water State Match Portion," a "Clean Water Leveraged Portion" and a "Drinking Water Leveraged Portion", each of which may be payable

from separate sources under the Master Indenture. For convenience only, the debt service obligations represented by the Clean Water State Match Portion and the Clean Water Leveraged Portion are sometimes referred to herein as the “Clean Water Bonds” and the debt service obligations represented by the Drinking Water State Match Portion and the Drinking Water Leveraged Portion are sometimes referred to herein as the “Drinking Water Bonds.”

The Series 2010 Bond Anticipation Notes are not “Bonds” within the meaning of such term in the Master Indenture and not secured on a parity with any Bonds. The Series 2010 Bond Anticipation Notes are special obligations of the District payable solely from specific revenues and funds pledged therefor under the Master Indenture and Series Resolution, such revenues and funds consisting of (a) proceeds of additional Bonds if, as and when issued under the Master Indenture for the specific purpose of providing funds to pay the Series 2010 Bond Anticipation Notes at maturity, (b) Excess Revenues (as defined in the Master Indenture) and (c) if necessary, proceeds of such Series 2010 Bond Anticipation Notes to the extent such proceeds have not been obligated as of the maturity date thereof for the purpose of funding Loans. The lien on Excess Revenues securing the Series 2010 Bond Anticipation Notes is subordinate to the lien on Revenues which secures all Bonds, including additional Bonds, now or hereafter Outstanding under the Master Indenture.

The Series 2010 Bond Anticipation Notes are limited obligations of the District payable only in accordance with their terms and the terms of the Indenture and are not obligations general, special or otherwise, or a debt, legal or moral, of the State of South Dakota. The principal of, premium, if any, and interest on the Leveraged Portion of the Series 2010 Bond Anticipation Notes will be payable solely from the Excess Revenues pledged to secure the Leveraged Portion of debt service with respect to the Series 2010 Bond Anticipation Notes, but only to the extent and in the manner provided in the Indenture including, without limitation, the “General Limitation” as established by the Indenture and summarized below.\*

Notwithstanding any other provision of the Indenture, the Indenture contains a “General Limitation” which specifies that the following provisions shall govern the use and application of all funds and accounts under the Indenture, and if and to the extent these provisions conflict in any manner with any other express or implied provision of the Indenture, the following provisions shall prevail: (a) Drinking Water Bonds and Notes shall be secured solely by the Funds and Accounts within the Drinking Water Program which are pledged pursuant to the granting clauses of the Indenture and no assets of the Clean Water Program may be used to secure Drinking Water Bonds and Notes and (b) Clean Water Bonds and Notes shall be secured solely by the Funds and Accounts within the Clean Water Program which are pledged pursuant to the granting clauses of the Indenture and no assets of the Drinking Water Program may be used to secure Clean Water Bonds and Notes.

The Series 2010 Bond Anticipation Notes are being issued by the District in order to raise certain moneys for the purpose of making loans to certain Political Subdivisions and other borrowers.

As to questions of fact material to our opinion, we have relied upon representations of the District and other parties contained in the documents described herein and other certifications of public officials and others without undertaking to verify the same by independent investigation.

In connection with the issuance of the Series 2010 Bond Anticipation Notes, we have examined the following:

- (a) A certified copy of the Series Resolution in connection with the issuance by the District of the Series 2010 Bond Anticipation Notes pursuant to and under the provisions of Chapters 46A-1 and 46A-2 of the Codified Laws of South Dakota, as amended (the “Act”);

- (b) An executed counterpart of the Master Indenture, as amended and supplemented;
- (c) The opinion dated of even date herewith of the Office of the Attorney General for the State of South Dakota, and legal advisor to the District, a copy of which is being delivered concurrently with this opinion;
- (d) An executed copy of the Tax Regulatory Agreement dated as of this date between the District and the Trustee (the “Tax Regulatory Agreement”);
- (e) A specimen Series 2010 Bond Anticipation Note; and
- (f) Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination, we are of the opinion that:

1. The District is a governmental agency and body politic and corporate of the State of South Dakota. Pursuant to the Act, the District is empowered to issue the Series 2010 Bond Anticipation Notes and to loan the proceeds thereof to “Public Entities” (as defined in the Act) pursuant to the Loan Agreements for the purposes set forth in S.D.C.L. §§46A-1-60.1 through 46A-1-60.3 and to assign and pledge to the Trustee the Trust Estate, as defined in the Indenture, to secure payment of the Series 2010 Bond Anticipation Notes as provided in the Indenture. The Master Indenture provides that additional Bonds (which may be designated as State Match Portion, Leveraged Portion or some combination thereof) may be hereafter issued under the Indenture and secured on a parity with the Series 2010 Bond Anticipation Notes.

2. The Series 2010 Bond Anticipation Notes have been validly authorized, executed and issued in accordance with the laws of the State of South Dakota now in force and represent valid and binding limited obligations of the District.

3. The Series Resolution has been duly adopted by the District. The Master Indenture has been duly authorized, executed and delivered by the District and is the valid and binding agreement of the District enforceable in accordance with its terms.

4. Subject to the condition that the District and the Political Subdivisions comply with their respective covenants set forth in the Indenture and the Tax Regulatory Agreement (with respect to the District) and the Loan Agreements (with respect to the Political Subdivisions), under present law, the Series 2010 Bond Anticipation Notes are not “private activity bonds” under the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Series 2010 Bond Anticipation Notes is excludable from gross income of the owners thereof for federal income tax purposes. Interest on the Series 2010 Bond Anticipation Notes will not be included as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2010 Bond Anticipation Notes will be included in “adjusted current earnings” of certain corporations for purposes of computing the alternative minimum tax for such corporations. Failure to comply with certain of these covenants could cause interest on the Series 2010 Bond Anticipation Notes to be included in gross income retroactive to the date of issuance of the Series 2010 Bond Anticipation Notes. Ownership of the Series 2010 Bond Anticipation Notes may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the Series 2010 Bond Anticipation Notes. In rendering our opinion on tax exemption, we have relied upon certifications of the District, the Political Subdivisions and certain other parties with respect to certain material facts solely within their knowledge relating to the facilities to be financed or refinanced with the Series 2010 Bond Anticipation Notes, the application of the proceeds of the Series 2010 Bond

Anticipation Notes and certain other matters pertinent to the tax-exempt status of the Series 2010 Bond Anticipation Notes.

The obligations of the District and the security provided therefor, as contained in the Series 2010 Bond Anticipation Notes and the Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

We express no opinion with respect to the Loans heretofore made or to be made in the future to Political Subdivisions, whose obligations with respect to such Loans have been or are to be made subject to the receipt of approving legal opinions from various other counsel at the times such Loans were heretofore made or are to be made.

For the purposes of this opinion, our services as Bond Counsel have not extended beyond the examinations and expressions of the conclusions referred to above. The opinions expressed herein are based upon existing law as of the date hereof, and we express no opinion herein as of any subsequent date or with respect to any pending legislation.

Very truly yours,

**CONTINUING DISCLOSURE AGREEMENT  
FOR THE PURPOSE OF PROVIDING  
CONTINUING DISCLOSURE INFORMATION  
UNDER SECTION (B)(5) OF RULE 15C2-12**

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by the South Dakota Conservancy District ( the “District”) in connection with the issuance of \$54,330,000 South Dakota Conservancy District State Revolving Fund Program Bond Anticipation Notes, Series 2010 (the “Series 2010 Bond Anticipation Notes”). The Series 2010 Bond Anticipation Notes are being executed and delivered pursuant to a Fifth Amended and Restated Master Trust Indenture dated as of September 1, 2010 (as now or hereafter amended or supplemented, the “Master Indenture”) between the District and The First National Bank in Sioux Falls, as trustee (the “Trustee”), and a Series Resolution (as now or hereafter amended or supplemented, the “Series Resolution”) adopted by the South Dakota Board of Water and Natural Resources (the “Board”). The Master Indenture and Series Resolution are collectively referred to as the “Indenture.”

In consideration of the issuance of the Series 2010 Bond Anticipation Notes by the District and the purchase of such Series 2010 Bond Anticipation Notes by the beneficial owners thereof, the District covenants and agrees as follows:

Section 1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the District as of the date set forth below, for the benefit of the beneficial owners of the Series 2010 Bond Anticipation Notes and to assist the Underwriter in complying with the requirements of the Rule (as defined below).

Section 2. DEFINITIONS. The terms set forth below shall have the following meanings in the Agreement, unless the context clearly otherwise requires. Terms not defined herein shall have the meanings given thereto in the Master Indenture, the Series Resolution which authorized the Series 2010 Bond Anticipation Notes or any notification of sale or bond order relating thereto.

Annual Financial Information Disclosure means the dissemination of disclosure concerning District Annual Financial Information and Obligated Person Annual Financial Information, and the dissemination of the District Audited Financial Statements and Obligated Person Audited Financial Statements as set forth in Section 4.

District Annual Financial Information means the financial information and operating data described in Exhibit I.

District Audited Financial Statements means the audited financial statements of the District prepared pursuant to the standards and as described in Exhibit I.

EMMA means the MSRB’s Electronic Municipal Market System.

Event means the occurrence of any of the events set forth in Exhibit II.

Material Event means the occurrence of an Event that is material, as materiality is interpreted under the 1934 Act.

Material Events Disclosure means dissemination of a notice of a Material Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

1934 Act means the Securities Exchange Act of 1934, as amended.

NRMSIRs means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the SEC for purposes of the Rule. As of the date of this Agreement, the sole NRMSIR is EMMA.

Obligated Person means for each District fiscal year, each Borrower (as defined in the Final Official Statement) which, as of the most recent calendar year for which such information is available to the District: (i) has executed and delivered one or more Loan Agreements (as defined in the Final Official Statement); and (ii) is obligated to the District for repayment of a sum which exceeds 20% of the principal amount of the unpaid principal the outstanding Loan Obligations under the Clean Water Program or the Drinking Water Program (as such terms are defined in the Official Statement). The amount that a Borrower is obligated to repay to the District as described in clause (ii) of the preceding sentence shall be calculated as the sum of (A) the unpaid principal amount of all outstanding Loan Obligations of such Borrower (as defined in the Official Statement) issued under any Loan Agreements or in connection therewith, plus (B) the principal amount of funds authorized but not yet disbursed to such Borrower under any such Loan Agreement.

Obligated Person Annual Financial Information means the financial information and operating data described in Exhibit I.

Obligated Person Financial Statements means the financial statements of any Obligated Person prepared pursuant to the standards and as described in Exhibit I.

Official Statement means the Official Statement dated August 30, 2010 relating to the Series 2010 Bond Anticipation Notes.

Rule means Rule 15c2-12 adopted by the SEC under the 1934 Act, as the same may be amended from time to time.

SEC means the Securities and Exchange Commission.

State means the state of South Dakota.

Undertaking means the obligations of the District pursuant to Sections 4 and 5.

Underwriter means each broker, dealer or municipal securities dealer acting as an Underwriter in the primary offering of the Series 2010 Bond Anticipation Notes.

Section 3. CUSIP NUMBER. The CUSIP Numbers of the Series 2010 Bond Anticipation Notes are as set forth on Exhibit III.

Section 4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Agreement, District hereby covenants that it will disseminate: (i) the District Annual Financial Information and District Audited Financial Statements (in the form and by the dates set forth in Exhibit I) to each NRMSIR and (ii) that it will use its best efforts to cause any Obligated Person to provide the District with the Obligated Person Annual Financial Information and Obligated Person Financial Statements for dissemination together with the District Annual Financial Information and the District Audited Financial Statements in accordance with this Section 4 (i). The District is required to deliver



such information in such manner and by such time so that such entities receive the information by the dates specified. The District assumes no responsibility for the accuracy or completeness of the Obligated Person Annual Financial Information and Obligated Person Financial Statements.

The District covenants that, if necessary to comply with this Section 4, it will enforce the provisions of the Loan Agreements that require an Obligated Person to provide the District with certain financial and operational information in connection with the issuance of any District bonds.

If any part of the District Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the District shall disseminate a statement to such effect as part of the District Annual Financial Information for the year in which such event first occurs. For any fiscal year in which there is no Obligated Person, the District shall disseminate a statement to such effect as part of the District Annual Financial Information.

If any amendment is made to this Agreement, the District Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. EVENTS NOTIFICATION; MATERIAL EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the District hereby covenants that it will disseminate in a timely manner Material Events Disclosure to each NRMSIR. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2010 Bond Anticipation Notes or defeasance of any Series 2010 Bond Anticipation Notes need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the registered owners pursuant to the Master Indenture.

Section 6. DUTY TO UPDATE NRMSIRs. The District shall determine, in the manner it deems appropriate, the names and addresses of the then-existing NRMSIRs each time it is required to file information with such entities.

Section 7. CONSEQUENCES OF FAILURE OF DISTRICT TO PROVIDE INFORMATION. The District shall give notice in a timely manner to each NRMSIR of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the District to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the District to comply with its obligations under this Agreement. Any court action to enforce this Agreement must be commenced in the Circuit Court, Sixth Judicial Circuit, Hughes County, South Dakota. A default under this Agreement shall not be deemed a default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the District to comply with this Agreement shall be an action to compel performance.

Section 8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Chairman of the District, pursuant to authorization granted in the Series Resolution and the Indenture, may amend this Agreement, and any provision of this Agreement may be waived, if:

- (a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District or type of business conducted;
- (ii) this Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2010 Bond Anticipation Notes, as determined by a party unaffiliated with the District (such as Bond Counsel) at the time of the amendment; or

(b) the amendment or waiver is otherwise permitted by the rule.

Section 9. TERMINATION OF UNDERTAKING. The Undertaking of the District shall be terminated hereunder if the District shall no longer have any legal liability for any obligation on or relating to repayment of the Series 2010 Bond Anticipation Notes under the Indenture. If this Section is applicable, the District shall give notice in a timely manner to each NRMSIR.

Section 10. DISSEMINATION AGENT. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the District chooses to include any other information in any Annual Financial Information Disclosure or Material Event Disclosure in addition to that which is specifically required by this Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information Disclosure or Material Event Disclosure.

Section 12. BENEFICIARIES. This Agreement has been executed to assist the Underwriter in complying with the Rule; however, this Agreement shall inure solely to the benefit of the District and the beneficial owners of the Series 2010 Bond Anticipation Notes, and shall create no rights in any other person or entity.

Section 13. ASSIGNMENT. The District shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of the District under this Agreement or to execute an Undertaking under the Rule.

Section 14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

South Dakota Conservancy District

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

Its: Chairman

South Dakota Conservancy District  
c/o South Dakota Department of Environment  
and Natural Resources —SRF Programs

Joe Foss Building

523 East Capitol

Pierre, South Dakota 57501

Attention: SRF Section

Telephone: (605) 773-4216

Telecopy: (605) 773-4068

Attest:

\_\_\_\_\_  
Secretary

Date: September 8, 2010

EXHIBIT I  
ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED  
FINANCIAL STATEMENTS

District Annual Financial Information and Obligated Person Annual Financial Information means the financial information and operating data as set forth below. All or a portion of the District Annual Financial Information and Obligated Person Annual Financial Information, and the District Audited Financial Statements and Obligated Person Financial Statements as set forth below may be included by reference to other documents, including other official statements (subject to the following sentence), which have been submitted to each NRMSIR or filed with the SEC. If the information included by reference is contained in a final official statement, the final official statement shall have been submitted by the District to the MSRB. The District shall clearly identify each such item of information included by reference.

Part I. Annual Financial Information:

(a) District Annual Financial Information:

- (i) Financial information and operating data (exclusive of the District Audited Financial Statements) means information generally consistent with that contained in the Official Statement under the following captions:

The table and Capitalization Grant data under the caption “SOUTH DAKOTA STATE REVOLVING FUNDS- The Capitalization Grants and Letters of Credit” and the table under the caption “SOUTH DAKOTA STATE REVOLVING FUNDS – Account Balances,”

- (ii) District Annual Financial Information (currently compiled consistent with the state fiscal year end of June 30 and presented as part of the District’s annual report to the United States Environmental Protection Agency which is compiled consistent with the federal fiscal year which currently ends on September 30) exclusive of District Audited Financial Statement will be provided to each NRMSIR not more than 210 days after the last day of the federal government’s fiscal year.
- (iii) District Audited Financial Statements as described in Part II should be filed at the same time as the District Annual Financial Information described in this Part I. If the District Audited Financial Statements are not available when the District Annual Financial Information is filed, unaudited District financial statements shall be included, and Audited Financial Statements will be filed when available.

(b) Obligated Person Annual Financial Information

- (i) Financial information and operating data (exclusive of Obligated Person Financial Statements) means information generally consistent with that presented in Appendix A to the Official Statement, but with respect to Loans actually originated to Borrowers. Such information will be provided to each NRMSIR not more than 210 days after the last day of the federal government’s fiscal year, which is currently September 30. This information and data is currently expected to be included in the annual report described in Part I(a)(i) of this Exhibit I.

- (ii) Obligated Person Financial Statements as described in Part II should be filed at the same time as the District Annual Financial Information described in this Part I. If Obligated Person Financial Statements are not available when the District Annual Financial Information is filed, unaudited financial statements shall be included, and Obligated Person Financial Statements will be filed when available.

Part II. Audited Financial Statements:

- (a) District Audited Financial Statements will be prepared in accordance with generally accepted accounting principles applicable to governmental units (GAAP) as in effect from time to time. The District does not covenant that Obligated Person Financial Statements will be audited or prepared in accordance with GAAP. Obligated Person Financial Statements will be audited or prepared in accordance with GAAP only if an Obligated Person otherwise prepares its financial statements in such manner.
- (b) District Audited Financial Statements and Obligated Person Financial Statements will be provided to each NRMSIR not more than 210 days after the last day of the federal government's fiscal year, which is currently September 30. If the District Audited Financial Statements or other Obligated Person Financial Statements are not available when the Obligated Person Annual Financial Information is filed pursuant to Part I (a) and (b), then unaudited District financial statements shall be included, and Audited District Financial Statements will be filed when available

EXHIBIT III  
CUSIP NUMBER

YEAR OF MATURITY	CUSIP NUMBER
2010	837545FZ0