
SOUTH DAKOTA CONSERVANCY DISTRICT

SOUTH DAKOTA STATE REVOLVING FUND PROGRAM

AMENDED AND RESTATED
MASTER TRUST INDENTURE

Dated as of July 1, 2004

SOUTH DAKOTA CONSERVANCY DISTRICT

by and between

THE FIRST NATIONAL BANK IN SIOUX FALLS,

as Trustee

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TABLE OF CONTENTS
MASTER TRUST INDENTURE

	PAGE
PARTIES AND RECITALS	
Parties.....	1
Recitals.....	1
Granting Clauses.....	3
ARTICLE I	DEFINITIONS AND INTERPRETATION5
Section 1.01	Definitions.....5
Section 1.02	Characteristics of Certificate or Opinion19
Section 1.03	Additional Provisions as to Interpretation20
ARTICLE II	FORM, EXECUTION AND REGISTRATION OF BONDS20
Section 2.01	Authorization of Bonds.....20
Section 2.02	Provisions for Issuance of Bonds.....20
Section 2.03	Series Resolution20
Section 2.04	Execution of Bonds.....22
Section 2.05	Authentication of Bonds22
Section 2.06	Registration, Transfers and Exchange22
Section 2.07	Payment of Interest on Bonds; Interest Rights Preserved.....23
Section 2.08	Ownership of Bonds24
Section 2.09	Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds24
Section 2.10	Cancellation of Bonds.....25
Section 2.11	Conditions for Authentication of Bonds.....25
ARTICLE III	REDEMPTION OF BONDS26
Section 3.01	Authorization of Redemption26
Section 3.02	District’s Election to Redeem26
Section 3.03	Redemption Other Than at District’s Election.....26
Section 3.04	Notice of Redemption.....27
Section 3.05	Selection by Trustee of Bonds to be Redeemed.....27
Section 3.06	Deposit of Redemption Price.....28
Section 3.07	Partial Redemption of Fully Registered Bonds28
Section 3.08	Purchase in Lieu of Redemption.....28
ARTICLE IV	APPLICATION OF BOND PROCEEDS AND OTHER MONEYS; LOANS29
Section 4.01	Proceeds of Bonds of a Series; Determination of Leveraged Portion and State Match Portion.....29
Section 4.02	Refunding Bond Proceeds.....33
Section 4.03	Loans.....33
ARTICLE V	FUNDS AND ACCOUNTS33
Section 5.01	Establishment of Funds and Accounts.....33
Section 5.02	Loan Fund34

Section 5.03	Administration Fund	35
Section 5.04	Revenue Fund	36
Section 5.05	Bond Fund.....	41
Section 5.06	Reserve Fund	43
Section 5.07	Investment of Moneys Held by the Trustee.	46
Section 5.08	Liability of Trustee for Investments	47
Section 5.09	State Revolving Fund.....	47
Section 5.10	Release or Substitution of Loan Obligations, Loan Agreements and Other Assets From or To the Lien of the Master Indenture.....	47
Section 5.11	General Limitation	48
Section 5.12	Transfers to Clean Water Program Subfund.....	49
Section 5.13	Clean Water Program Subfund Reimbursement Obligation to Drinking Water Program Subfund.....	49
Section 5.14	Other Transfers from Clean Water Program Subfund to Drinking Water Program Subfund	50
Section 5.15	Transfers to Drinking Water Program Subfund.....	50
Section 5.16	Drinking Water Program Subfund Reimbursement Obligation to Clean Water Program Subfund	51
Section 5.17	Other Transfers From Drinking Water Program Subfund to Clean Water Program Subfund	51
ARTICLE VI	PARTICULAR COVENANTS OF THE DISTRICT	51
Section 6.01	Payment of Bonds; Pledge of Other Funds.....	51
Section 6.02	Extensions of Payments of Bonds.....	52
Section 6.03	Authority of the District.....	52
Section 6.04	Loans to Borrowers; Enforcement of Loan Obligations.....	52
Section 6.05	Accounts and Reports	53
Section 6.06	Restrictions on Purchase and Redemption of Bonds	53
Section 6.07	Compliance With Relevant Federal Act	53
Section 6.08	Prepayment of Loan Obligations	53
ARTICLE VII	EVENTS OF DEFAULT; REMEDIES ON DEFAULT	54
Section 7.01	Events of Default	54
Section 7.02	Remedies and Enforcement of Remedies.	55
Section 7.03	Application of Revenues and Other Moneys After Default.....	56
Section 7.04	Right of Trustee to Act Without Possession of Bonds	57
Section 7.05	Power of Majority of Bondholders	57
Section 7.06	Limitation on Suits by Bondholders	57
Section 7.07	Waiver by Bondholders	58
Section 7.08	Remedies Cumulative, Delay Not To Constitute Waiver.....	58
Section 7.09	Restoration of Rights Upon Discontinuance of Proceedings.....	59
ARTICLE VIII	CONCERNING THE TRUSTEE.....	59
Section 8.01	Acceptance of Trust and Prudent Performance Thereof.....	59
Section 8.02	Trustee May Rely Upon Certain Documents and Opinions	60
Section 8.03	Trustee Not Responsible for Indenture Statements, Validity	61
Section 8.04	Limits on Duties and Liabilities of Trustee	61
Section 8.05	Money Held in Trust.....	61

Section 8.06	Obligation of Trustee	61
Section 8.07	Notice to Bondholders	61
Section 8.08	Intervention in Judicial Proceedings	62
Section 8.09	Further Investigation by Trustee	62
Section 8.10	Trustee to Retain Financial Records	62
Section 8.11	Compensation of Trustee	62
Section 8.12	Trustee May Hold Bonds	62
Section 8.13	Appointment of Trustee	63
Section 8.14	Merger of Trustee	63
Section 8.15	Resignation or Removal of Trustee	63
Section 8.16	Appointment of Successor Trustee	63
Section 8.17	Transfer of Rights and Property To Successor Trustee	64
Section 8.18	Co-Trustee.....	64
ARTICLE IX	CONCERNING THE BONDHOLDERS	66
Section 9.01	Execution of Instruments by Bondholders.....	66
Section 9.02	Waiver of Notice.....	66
Section 9.03	Determination of Bondholder Concurrence.....	67
Section 9.04	Bondholders' Meeting	67
Section 9.05	Revocation by Bondholders.....	68
ARTICLE X	PAYMENT, DEFEASANCE AND RELEASE	69
Section 10.01	Payment and Discharge of Indenture.....	69
Section 10.02	Bonds Deemed Not Outstanding After Deposits	70
Section 10.03	Unclaimed Money to be Returned	70
ARTICLE XI	SUPPLEMENTAL INDENTURES	70
Section 11.01	Purposes for Which Supplemental Indentures May be Executed.....	70
Section 11.02	Execution of Supplemental Indenture.....	72
Section 11.03	Discretion of Trustee.....	72
Section 11.04	Modification of Indenture with Consent of Bondholders	72
Section 11.05	Supplemental Indentures to be Part of Indenture.....	74
Section 11.06	Majority Requirement Shall Be Superseded Until Effective Date	74
ARTICLE XII	MISCELLANEOUS	74
Section 12.01	Execution of Indenture in Counterparts.....	74
Section 12.02	Headings Not Controlling	74
Section 12.03	Notices to Trustee and District	74

CONSENT OF AMBAC ASSURANCE CORPORATION

CONSENT OF THE FIRST NATIONAL BANK IN SIOUX FALLS

AMENDED AND RESTATED MASTER TRUST INDENTURE

THIS AMENDED AND RESTATED MASTER TRUST INDENTURE, dated as of July 1, 2004, by and between the SOUTH DAKOTA CONSERVANCY DISTRICT, a governmental agency, body politic and corporate of the State of South Dakota (the “District”) and THE FIRST NATIONAL BANK IN SIOUX FALLS, a national banking association having trust powers and having its main office and place of business in Sioux Falls, South Dakota, as trustee (the “Trustee”),

WITNESSETH:

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

WHEREAS, pursuant to the Act and the Clean Water Act, as hereinafter defined, the District has established a state revolving fund program; (the “Clean Water Program”); and

WHEREAS, pursuant to the Act and the Drinking Water Act, as hereinafter defined, the District has established a state revolving fund program (the “Drinking Water Program”); and

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

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

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

WHEREAS, SDCL §46A-1-60.2 provides that funds from the Programs therein described shall be disbursed and administered according to rules enacted by the Board of Water and Natural Resources pursuant to SDCL §46A-1-65 and the provisions of SDCL §§46A-1-60 to §46A-1-60.3 inclusive and SDCL §46A-1-60.1 provides that money in the Program Subfunds may be used only for purposes authorized under federal law; and

WHEREAS, pursuant to that certain Master Trust Indenture dated as of January 1, 1994, as heretofore amended and supplemented (the “Original Clean Water Indenture”) between the District and The First National Bank in Sioux Falls, the District has heretofore issued and as of June 1, 2004 there are currently outstanding various series of Existing Clean Water Bonds (as herein defined) in the principal amount of \$18,730,000; and

WHEREAS, pursuant to that certain Master Trust Indenture dated as of June 1, 1998, as heretofore amended and supplemented (the “Original Drinking Water Indenture”) between the District and The First National Bank in Sioux Falls, the District has heretofore issued and as of June 1, 2004 there are currently outstanding various series of Existing Drinking Water Bonds (as herein defined) in the principal amount of \$10,675,000; and

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

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

WHEREAS, the District has determined that in order to accomplish such consolidation it is necessary and appropriate to amend and restate the Original Indentures into this single, consolidated Amended and Restated Master Trust Indenture (as hereafter amended or supplemented, the “Indenture”) so as to pledge additional property as security for Bonds issued and outstanding hereunder, add covenants and agreements for the benefit of Bondholders, provide for the issuance of additional Bonds and provide for the other matters set forth herein, and simultaneously with the issuance and sale of the Series 2004 Bonds provided for herein, the District will have obtained the consent of the requisite percentages of Holders of Clean Water Bonds and Drinking Water Bonds, respectively, together with the consent of Ambac Assurance Corporation, so that the Trustee shall be entitled to exercise its unrestricted discretion in determining to enter into this Amended and Restated Master Trust Indenture; and

WHEREAS, from and after the date hereof federal capitalization grants received under the Clean Water Act and Drinking Water Act by the District pursuant to the Act are to be

deposited in the related Program Subfund and all or a portion thereof shall be used to make loans to Borrowers or to secure Bonds issued or secured hereunder as more fully set forth herein and subject to the terms, conditions and limitations hereof; and

WHEREAS, the Board of Water and Natural Resources has determined that it is necessary and expedient that the District issue bonds from time to time pursuant to this Indenture and to loan the proceeds thereof to Borrowers in furtherance of the Programs as hereinafter set forth; and

WHEREAS, the execution and delivery of this Amended and Restated Indenture have been duly authorized by the Board of Water and Natural Resources; and

WHEREAS, the Trustee has accepted the trust created by this Amended and Restated Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS AMENDED AND RESTATED MASTER TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

The South Dakota Conservancy District, in order to secure the payment of the principal of, premium (if any) and interest on the Bonds issued and to be issued under this Indenture according to their tenor and effect and the performance and observance of each and all of the covenants and conditions herein and therein contained, and for and in consideration of the premises and of the purchase and acceptance of the Bonds by the respective purchaser or purchasers and registered owner or owners thereof, and for other good and valuable considerations, the receipt whereof is hereby acknowledged, has executed and delivered this Indenture and, subject to the General Limitation (as hereinafter defined in Section 5.11 hereof), has granted, bargained, sold, assigned, transferred, conveyed, warranted, pledged and set over, and by these presents does hereby grant, bargain, sell, assign, transfer, convey, warrant, pledge and set over, unto the Trustee and to its successor or successors in the trust hereby created and to its assigns forever:

I.

A lien on and pledge of the moneys and investments in the Revenue Fund, the Bond Fund, and, to the extent provided by Sections 5.02 and 5.06 hereof, respectively, the Loan Fund and the Reserve Fund covenanted to be created and maintained under this Indenture and all Accounts therein and all funds specifically appropriated by the State of South Dakota under the Act with respect to the Bonds.

II.

A lien on and pledge of the interests of the District in all Loan Agreements described and pledged in any Series Resolution, all Loan Obligations acquired in connection therewith and pledged and described in any Series Resolution and all payments of principal, premium (if any) and interest thereon, and all proceeds thereof.

III.

A lien on and pledge of all funds and other amounts received by the District from the Letter of Credit for deposit in the Federally Capitalized Loan Account or the Restricted Reserve Account to the extent applied for the purpose of making Loans or satisfying other requirements hereunder, as and when received, and all proceeds of amounts so received for deposit in such Accounts.

IV.

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

SUBJECT, HOWEVER, to the right of the District to withdraw or otherwise cause to be substituted for or released from the Trust Estate any Loan Obligations, Loan Agreements and other assets which qualify as Released Obligations which are not necessary pursuant to Section 5.10 in order to cause the Projected Revenue to be at least 120% in connection with a Coverage Certificate prepared pursuant to such Section 5.10.

SUBJECT, FURTHER, HOWEVER, to the qualification that the lien on and pledge of amounts on deposit in any Reserve Fund or Account shall not secure any Bonds for which a Series Resolution expressly waives the lien on and pledge of amounts on deposit in the Reserve Fund as contemplated by Section 2.03(i) and Section 2.11(f) or (g) hereof.

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

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

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

shall cease, determine and be void; otherwise, this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property hereby assigned or pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the District has agreed and covenanted and does hereby agree and covenant with the Trustee and with the respective Holders from time to time, of the said Bonds as follows, that is to say:

ARTICLE I

Definitions and Interpretation

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Article I and in the recitals and succeeding Articles of this Indenture shall, for all purposes of this Indenture and of any indenture supplemental hereto, have the meanings herein specified, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

“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 this 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 means, on and after the Transfer Date for such series of Bonds, 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 means, on and after the Transfer Date for such series of Bonds, 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 Section 5.10 or Section 6.08 hereof (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 Section 5.10(b) hereof or proposed to be prepaid under Section 6.08(b) hereof, 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 this Indenture (unless and to the extent that such earnings would be derived from Released Obligations under Section 5.10(b) hereof), 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 Section 5.03 hereof.

“Allocable Portion” with respect to any Series of Bonds, means the respective percentages of the aggregate principal amount of such Series of Bonds 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.

“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 or this 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 and the Bonds.

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

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

“Bond Order” means 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 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.

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

“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 shall commence on the date of original issuance of a Series of Bonds 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 hereunder, 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 Section 5.01 hereof and described in Section 5.03 hereof.

“Clean Water Bond Fund” means the Clean Water Bond Fund established under Section 5.01 hereof and described in Section 5.05 hereof.

“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 Section 5.01 hereof and described in Section 5.02 hereof.

“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 of a Series of Bonds equal to a portion of the proceeds deposited into the Clean Water Fund in accordance with Section 4.01 hereof, 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 Article V hereof in accordance with the Clean Water Act and the Act.

“Clean Water Reimbursement Obligation” means the obligation of the District under Section 5.13 hereof to reimburse the Clean Water Program Subfund for any amounts transferred to the Drinking Water Bond Fund pursuant to Section 5.04(d)(3) or (e)(5) hereof 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 Section 5.01 hereof and described in Section 5.06 hereof.

“Clean Water Revenue Fund” means the Clean Water Revenue Fund established under Section 5.01 hereof and described in Section 5.04 hereof.

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

“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 hereunder.

“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 hereunder.

“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, 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, underwriter discount or placement fees, and other costs, charges and fees in connection with the original issuance of Bonds.

“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.

“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 hereof 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” herein.

“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 the 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 this 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 hereunder, any amendments thereof and all applicable regulations.

“Drinking Water Administration Fund” means the Drinking Water Administration Fund established under Section 5.01 hereof and described in Section 5.03 hereof.

“Drinking Water Bond Fund” means the Drinking Water Bond Fund established under Section 5.01 hereof and described in Section 5.05 hereof.

“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 Section 5.01 hereof and described in Section 5.02 hereof.

“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 of a Series of Bonds equal to a portion of the proceeds deposited

into the Drinking Water Fund in accordance with Section 4.01 hereof, 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 hereof in accordance with the Drinking Water Act and the Act.

“Drinking Water Reimbursement Obligation” means the obligation of the District under Section 5.16 hereof to reimburse the Drinking Water Program Subfund for any amounts transferred to the Clean Water Bond Fund pursuant to Section 5.04(h)(3) or (i)(5) hereof to pay the Clean Water Portion of principal and interest on Bonds when due.

“Drinking Water Reserve Fund” means the Drinking Water Reserve Fund established under Section 5.01 hereof and described in Section 5.06 hereof.

“Drinking Water Revenue Fund” means the Drinking Water Revenue Fund established under Section 5.01 hereof and described in Section 5.04 hereof.

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

“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 hereunder.

“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 hereunder.

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

“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 by Section 7.01 of this 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 this Indenture which are not required to be maintained therein or otherwise transferred pursuant to the terms of this 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 this Indenture which are not required to be maintained therein or otherwise transferred pursuant to the terms of this Indenture.

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

“Existing Clean Water Bonds” means those bonds of the District described on attached Exhibit A.

“Existing Drinking Water Bonds” means those bonds of the District described on attached Exhibit B.

“Federally Capitalized Loan Accounts” means the Account of the Loan Funds so designated as described in Section 5.02 hereof.

“Fund” or “Funds” means one or more of the special trust funds created and established under Section 5.01 of this Indenture.

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

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

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

“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 this 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), (c) 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.

“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 Section 5.05 hereof.

“Leveraged Loan Accounts” means the Accounts of the Loan Funds so designated as described in Section 5.02 hereof.

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

“Loan” means a loan of funds to a Borrower in accordance with Section 4.03 hereof.

“Loan Agreement” means any loan agreement between the District and a Borrower relating to a loan of moneys from a Loan Fund under this Indenture 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, acquired by the District 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.

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

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

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

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

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

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

(a) any Bond cancelled or delivered to the Trustee for cancellation on or before such date;

(b) any Bond (or any portion of any Bond) (i) for the payment or redemption of which there shall be held in trust hereunder 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 any portion of any Bonds) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with Article III of this Indenture or provided for in a manner satisfactory to the Trustee;

(c) any Bond in lieu of or exchange for which another Bond shall have been authenticated and delivered pursuant to Article II of this 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 this 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 this 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 & Poors, 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 portion thereof to be redeemed, the principal amount of such Bond 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 the proceeds of which are to be used to pay the principal of or interest on any Outstanding Bonds.

“Regular Record Date” means the record date for the payment of interest on any Series of Bonds established by a Series Resolution or if not provided therein, then as provided in the form of Bond attached hereto.

“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 this Master Indenture pursuant to Section 5.10 hereof.

“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 Section 5.01 hereof.

“Restricted Reserve Accounts” means the Accounts of the Reserve Funds so designated as described in Section 5.06 hereof.

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

“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”, “Series” or “Bonds of a Series” means a series of Bonds issued under this 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 this Indenture authorizing the issuance of a Series of Bonds.

“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 Section 2.03(f) of this Indenture.

“SRF Administration Accounts” means the Accounts of the Administration Funds so designated as described in Section 5.03 hereof.

“State Match Reserve Accounts” means the Accounts of the Reserve Funds so designated as described in Section 5.06 hereof.

“State” means the State of South Dakota.

“State Administration Accounts” means the Accounts of the Administration Funds so designated as described in Section 5.03 hereof.

“State Match Bond Accounts” means the Accounts of the Bond Funds so designated as described in Section 5.05 hereof.

“State Match Loan Accounts” means the Accounts of the Loan Funds so designated as described in Section 5.02 hereof.

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

“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 hereunder

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.

“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.

“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 hereunder 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, the date established pursuant to Section 4.01(b) hereof.

“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 this 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 Section 5.01 hereof.

“Unrestricted Interest Repayments Accounts” means the Accounts of the Revenue Funds so designated as described in Section 5.04 hereof.

“Unrestricted Reserve Accounts” means the Accounts of the Reserve Funds so designated as described in Section 5.06 hereof.

“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 Section 5.06 hereof.

Section 1.02 Characteristics of Certificate or Opinion. Every Certificate or opinion of counsel with respect to compliance with a condition or covenant provided for in this Indenture shall include: (i) a statement that the person or persons making such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such Certificate made or given by an Authorized Representative may be based, insofar as it relates to legal matters, upon an opinion of counsel, unless such officer knows that the opinion with respect to the matters upon which the Certificate may be based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous. Any such opinion of counsel may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the District, upon the certificate of an Authorized Representative, unless such counsel knows that the certificate with respect to the matters upon which the opinion may be based as aforesaid is erroneous, or, in the exercise of reasonable care, should have known that the same was erroneous.

Section 1.03 Additional Provisions as to Interpretation. All references herein to “Articles”, “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Indenture as a whole and not any particular Article, Section or subdivision hereof.

This Indenture is governed by and shall be construed in accordance with the laws of South Dakota.

ARTICLE II

Form, Execution and Registration of Bonds

Section 2.01 Authorization of Bonds. In order to provide moneys for the purchase and to refinance certain costs relating to the purchase of Loan Obligations in furtherance of the Programs, there are hereby authorized Bonds of the District to be known and designated as “State Revolving Fund Program Bonds”, which Bonds may be issued in separate Series from time to time as hereinafter provided. The Bonds shall be payable and be secured as provided in this Indenture and shall be entitled to the benefits of this Indenture. The aggregate principal amount of the Bonds or the Bonds of a Series that may be executed, authenticated and delivered is not limited, except as provided by this Indenture and by law and as may be provided by any Series Resolution.

Section 2.02 Provisions for Issuance of Bonds. The issuance of Bonds of a Series may be authorized by a Series Resolution adopted by the Board of Water and Natural Resources pursuant to the Act and this Indenture. The Bonds may be issued in one or more Series and the Bonds of each Series, in addition to the title “State Revolving Fund Program Bonds”, shall contain an appropriate Series designation. Bonds of a Series may be issued in the form of Serial Bonds or Term Bonds or both.

Section 2.03 Series Resolution. Each Series Resolution authorizing the issuance of a Series of Bonds shall either specify or fix the manner of determining:

- (a) The authorized principal amount of such Series;

(b) The Allocable Portion of Bonds for the Clean Water Program and the Allocable Portion of Bonds for the Drinking Water Program, as applicable;

(c) The purposes for which such Series of Bonds are being issued, which shall be to purchase or otherwise acquire Loan Obligations, to refund all or a portion of a Series of Bonds or to do any combination thereof, and, as and for such acquisition or refunding (i) to make any required deposits to any escrow account and to make deposits to the Funds and Accounts (if such Accounts are established pursuant to the Series Resolution in accordance with the provisions of this Indenture), in the amounts, if any, required by this Indenture or any Series Resolution, (ii) to pay the Costs of Issuance of such Series of Bonds and (iii) to pay Capitalized Interest on the Loan Obligations purchased with the proceeds of such Series of Bonds;

(d) The maturity dates, the amounts of each maturity and the interest payment dates of the Bonds of such Series and regular record dates relating thereto (which record dates shall be the 15th day of the month preceding each interest payment date unless otherwise provided in the Series Resolution);

(e) The interest rate or rates of the Bonds of such Series;

(f) The authorized denomination or denominations of the Bonds of such Series and the manner of dating, numbering and lettering Bonds of such Series;

(g) In the case of Term Bonds, if any, for which Sinking Fund Installments are to be provided, provision for Sinking Fund Installments payable on such dates and in such amounts which, together with the principal amounts remaining unpaid on the maturity date or dates thereof, will, in the aggregate, equal the aggregate principal amount of all of such Term Bonds of such Series;

(h) The Redemption Price or Redemption Prices, if any; and subject to Article III and Article V of this Indenture, the time or times and the terms and conditions upon which the Bonds of such Series may be redeemed prior to their maturity;

(i) Whether and to what extent the Bonds of such Series (or Allocable Portion thereof) are to be secured by a lien on and pledge of amounts on deposit in the Reserve Fund;

(j) The amounts to be deposited or otherwise applied from the proceeds of such Series of Bonds or other moneys in the Funds and Accounts created and established by this Indenture and the Series Resolution;

(k) The forms of Bonds of such Series and forms of the Trustee's certificate of authentication, which form of Bonds and the Trustee's certificate of authentication attached hereto as Exhibit A may be wholly or partially incorporated by reference;

(l) If applicable, such covenants, elections or determinations as are deemed necessary or appropriate to assure the tax exemption of interest on the Bonds;

(m) If applicable, such provision as may be necessary or desirable for any Credit Enhancement;

(n) The Initial State Match Portion and the Initial Leveraged Portion of principal and interest on the Bonds of such Series; and

(o) Any other provisions deemed advisable by the Board of Water and Natural Resources permitted by or not in conflict with the provisions of this Indenture.

In addition, such Series Resolution may provide for additional duties of the Trustee with respect to the Loan Obligations or to the matters relating to such Series of Bonds (all with the force and effect and subject to the Trustee's consent as set forth in this Indenture). A Series Resolution may also provide that the Bonds of such Series may be issued in book-entry-only form pursuant to arrangements with Depository Trust Company or other similar depository.

Section 2.04 Execution of Bonds. Except as otherwise provided by a Series Resolution, the Bonds shall be signed in the name of the District by the manual or facsimile signature of the Chairman of the District and attested by the Secretary of the Department. Such signatures shall be authenticated by the Trustee, and the Bonds shall have the official seal of the District or a facsimile thereof imprinted thereon. In the event that any of the officers who shall have signed any of the Bonds shall cease to hold such office before the Bonds shall have been authenticated or delivered by the Trustee, or issued by the District, such Bonds may, nevertheless, be authenticated, delivered, and issued, and upon such authentication, delivery and issue, shall be binding upon the District, the Board of Water and Natural Resources and the Department as though those officers who signed the same had continued to be such officers of the District, the Board of Water and Natural Resources and the Department; and, also, any Bond may be signed on behalf of the District by such person who, at the actual date of execution of such Bond, shall be the proper officer of the District, the Board of Water and Natural Resources or the Department, although at the date of such Bond such person shall not have been such an officer of the District, the Board of Water and Natural Resources or the Department.

Section 2.05 Authentication of Bonds. No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless an authorized signatory of the Trustee shall manually endorse and execute on such Bond a certificate of authentication substantially in the form of the certificate set forth in Exhibit A hereto. Such certificate upon any Bond executed by or on behalf of the District shall be conclusive evidence that the Bond so authenticated has been duly issued under this Indenture and that the Holder thereof is entitled to the benefits of this Indenture.

No Bonds shall be authenticated by the Trustee except in accordance with this Article and any Series Resolution applicable thereto.

Section 2.06 Registration, Transfers and Exchange. As long as any of the Bonds issued hereunder shall remain outstanding, the District shall maintain and keep at the office of the Trustee an office or agency for the payment of the principal of and interest on such Bonds, as in this Indenture provided, and for the registration and transfer of such Bonds, and shall also keep at

said office of the Trustee books for such registration and transfer. The District does hereby appoint the Trustee, and its successors from time to time, as its agent to maintain said office and agency.

Upon surrender for transfer of any fully registered Bond at the office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, and upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, the District shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more fully registered Bonds of the same series, of any authorized denominations and of a like aggregate principal amount, interest rate and maturity.

All Bonds, upon surrender thereof at the office of the Trustee may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate of any authorized denominations.

In all cases in which the privilege of exchanging Bonds or transferring fully registered Bonds is exercised, the District shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the District or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Indenture, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the District or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the District. The District and the Trustee shall not be obligated to make any such exchange or transfer of Bonds during the fifteen (15) days next preceding the date of the first publication or the mailing (if there is no publication) of notice of redemption in the case of a proposed redemption of Bonds, nor shall the District and Trustee be required to make any transfer or exchange of any Bonds called for redemption.

Section 2.07 Payment of Interest on Bonds; Interest Rights Preserved. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest.

Except as may be provided to the contrary in a Series Resolution, any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date (herein called "Defaulted Interest") shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest may be paid by the Trustee, at the election of the District in each case, as provided in Subsection A or B below:

A. The District may elect to make payment of any Defaulted Interest on the Bonds to the persons in whose names such Bonds (or their respective Predecessor Bonds)

are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The District shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the District shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the District of such Special Record Date and, in the name of the District and at the expense of the District, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of a Bond of such series at his address as it appears in the registration books not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds of such series (or their respective Predecessor Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection B.

B. The District may make payment of any Defaulted Interest on the Bonds in any other lawful manner, if, after notice given by the District to the Trustee of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

Section 2.08 Ownership of Bonds. The District and the Trustee and their respective successors, each in its discretion, may deem and treat the person in whose name any Bond shall for the time being be registered as the absolute owner thereof for all purposes, and neither the District nor the Trustee nor their respective successors shall be affected by any notice to the contrary. Payment of or on account of the principal of and interest on any such Bond shall be made only to or upon the order of the registered Owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 2.09 Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any outstanding Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall

authenticate and deliver a new Bond of the same Series of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the District and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the District and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Trustee may prescribe and paying such reasonable expenses as the District and the Trustee may incur in connection therewith. In the event any such Bond shall have matured, instead of issuing a new Bond, the District may pay the same without surrender thereof.

Section 2.10 Cancellation of Bonds. The Trustee shall destroy all Bonds surrendered to it for cancellation and shall deliver a certificate to that effect to the District.

Section 2.11 Conditions for Authentication of Bonds. The Trustee shall not authenticate and deliver any Bonds to be issued and delivered pursuant to the Indenture unless theretofore or simultaneously therewith there shall have been delivered to the Trustee the following:

(a) A certified copy of the Series Resolution authorizing the issuance of the Bonds of such series hereunder and an executed counterpart of any Bond Order authorized by such Series Resolution.

(b) Except in the case of Refunding Bonds issued to pay principal of or interest on Bonds for the payment of which sufficient funds are not expected to be available, 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 (A) all Bonds then Outstanding (except Bonds and interest thereon to be refunded from the proceeds of the Bonds to be issued) and (B) the State Match Portion of Bonds to be issued, 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 (A) all Bonds then Outstanding (except Bonds and interest thereon to be refunded from the proceeds of the Bonds to be issued) and (B) the Leveraged Portion of Bonds to be issued.

(c) A Certificate of the District establishing the Clean Water Portion and the Drinking Water Portion of payments of principal and interest on the Bonds and the State Match Portion and the Leveraged Portion with respect to the Clean Water Portion and Drinking Water Portion of the payments of principal and interest on the Bonds and the amount, if any, to be deposited into the Bond Proceeds Accounts pursuant to Section 4.01(b) hereof.

(d) An order for authentication and delivery of Bonds hereunder, signed by the Chairman, stating the principal amount of Bonds then to be issued hereunder and directing the

Trustee to deliver the Bonds described therein to or upon the order of the purchaser upon payment of the purchase price set forth therein.

(e) The manually signed approving opinion of Bond Counsel for the District, concerning the validity and legality of the Bonds.

(f) If the Bonds to be issued include a Drinking Water Portion to be secured by a lien on and pledge of amounts on deposit in the Reserve Fund, any funds necessary for both (i) the amounts on deposit in the Drinking Water Reserve Fund to equal the Drinking Water Total Reserve Requirement and (ii) the amounts on deposit in the Unrestricted Reserve Account and the Special Reserve Account of the Drinking Water Reserve Fund to equal the Drinking Water State Match Reserve Requirement upon issuance of such Series of Bonds.

(g) If the Bonds to be issued include a Clean Water Portion to be secured by a lien on and pledge of amounts on deposit in the Reserve Fund, any funds necessary for both (i) the amounts on deposit in the Clean Water Reserve Fund to equal the Clean Water Total Reserve Requirement and (ii) the amounts on deposit in the Unrestricted Reserve Account and the Special Reserve Account of the Clean Water Reserve Fund to equal the Clean Water State Match Reserve Requirement upon issuance of such Series of Bonds.

(h) Such further certifications, documents and Opinions of Counsel as the Trustee, the District or Bond Counsel may require or as may be required by the Series Resolution.

ARTICLE III

Redemption of Bonds

Section 3.01 Authorization of Redemption. Bonds subject to redemption prior to maturity pursuant to a Series Resolution, by Sinking Fund Installments or otherwise, shall be redeemable, in accordance with this Article III, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in such Series Resolution.

Section 3.02 District's Election to Redeem. Bonds of any Series may be subject to redemption in whole or in part on any date at the option of the District prior to maturity pursuant to the provisions of the Series Resolution. The District shall give notice to the Trustee of each optional redemption, which notice shall specify the date fixed for redemption, the Series of Bonds from which Bonds are to be redeemed, the aggregate principal amount of such Series to be redeemed and the Sinking Fund Installments or maturities of Serial Bonds against which the par value of the Bonds of such so redeemed shall be credited. Such notice shall be given at least forty-five (45) days prior to the date fixed for redemption or such lesser number of days as shall be acceptable to the Trustee.

Section 3.03 Redemption Other Than at District's Election. Whenever by the terms of this Indenture or a Series Resolution the Trustee is required to redeem Bonds in whole or in part other than at the election of the District, the Trustee shall select the Bonds of the Series to be redeemed, give the notice of redemption and apply any available funds to the payment of the

Redemption Price thereof and the accrued interest thereon to the redemption date in accordance with the terms of this Article III.

Section 3.04 Notice of Redemption.

(a) When any Bonds or portions thereof are to be redeemed, by Sinking Fund Installments or otherwise, the Trustee shall give notice of the redemption of the Bonds in the name of the District to the Holders of the Bonds which are to be redeemed specifying (i) the Series of Bonds to be redeemed; (ii) the redemption date; (iii) the Redemption Price; (iv) the numbers and other distinguishing marks of the Bonds or portions thereof to be redeemed (unless all the outstanding Bonds of any Series or maturity within a series are to be redeemed); (v) the place or places where amount due upon such redemption will be payable; and (vi) such other information as the Trustee shall deem necessary or appropriate to facilitate the redemption of such Bonds. Such notice shall further state that on such date there shall become due and payable upon each Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest on any such Bonds or portions thereof shall cease to accrue. Such notice shall be given by the Trustee by mailing a copy of such notice by first class or certified mail, postage prepaid, to the registered Holders of any Bonds or portion of Bonds to be redeemed at their last address appearing upon the registration books, such notice to be given not less than thirty (30) days or more than sixty (60) days before the redemption date or as otherwise specified in the applicable Series Resolution. The obligation of the Trustee to give the notice required by this Section 3.04 shall not be conditioned upon the prior payment to the Trustee of moneys or Investment Obligations sufficient to pay the Redemption Price of the Bonds or portions thereof to which such notice relates or the interest thereon to the redemption date.

(b) Notice of redemption having been given as provided in subsection (a) hereof, the Bonds or portions thereof so to be redeemed shall become due and payable on the date fixed for redemption at the Redemption Price specified therein plus accrued interest to the redemption date and, upon presentation and surrender thereof at the place specified in such notice, such Bonds or portions thereof shall be paid at the Redemption Price, plus accrued interest to the redemption date. On and after the redemption date (unless the District shall default in the payment of the Redemption Price and accrued interest) (i) such Bonds or portions thereof shall cease to bear or accrue interest and (ii) such Bonds or portions thereof shall no longer be considered as Outstanding hereunder. If moneys sufficient to pay the Redemption Price and accrued interest have not been made available by the District to the Trustee on the redemption date, such bonds or portions thereof shall continue to bear or accrue interest until paid at the respective rate or rates specified thereon.

Section 3.05 Selection by Trustee of Bonds to be Redeemed.

(a) If less than all of the Bonds of like maturity of any Series are to be redeemed, the particular Bonds or portions of Bonds to be redeemed shall be selected, not more than forty-five (45) days prior to the date fixed for redemption, by the Trustee at random in such manner as the Trustee in its discretion may deem fair and appropriate.

(b) In making such selection, the Trustee shall treat each Bond to be redeemed as representing that number of Bonds of the lowest authorized denomination as is obtained by dividing the principal amount of such Bond by such denomination. If any Bond is to be redeemed in part, the portion to be so redeemed shall be in a principal amount of any authorized denomination.

(c) The Trustee shall promptly notify the District in writing of the Bonds so selected for redemption.

Section 3.06 Deposit of Redemption Price. On or before any date fixed for redemption of any Bonds by Sinking Fund Installments or otherwise, cash and/or a principal amount of Investment Obligations maturing or redeemable at the option of the holder thereof not later than the date fixed for redemption in an amount that, together with income to be earned on such Investment Obligations prior to such date fixed for redemption, without need for reinvestment, will be sufficient to provide cash to pay the Redemption Price of the accrued interest on all Bonds or portions thereof to be redeemed on such date, shall be deposited with the Trustee unless such amount previously shall have been deposited with the Trustee pursuant to this Indenture or the Series Resolution.

Section 3.07 Partial Redemption of Fully Registered Bonds. In case part but not all of an Outstanding fully registered Bond shall be selected for redemption, upon presentation and surrender of such Bond by the Holder thereof or his attorney duly authorized in writing (with, if the District or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Holder hereof or his attorney duly authorized in writing) to the Trustee, the District shall execute and the Trustee shall authenticate and deliver to or upon the order of such Holder, without charge therefor, for the unredeemed portion of the principal amount of the fully registered Bond so surrendered, a fully registered Bond, in the denomination of the unredeemed outstanding principal amount of the Bond and of like tenor. Fully registered Bonds so presented and surrendered shall be cancelled in accordance with Section 2.10 of this Indenture.

Section 3.08 Purchase in Lieu of Redemption. The District may purchase or direct the Trustee to purchase Bonds of any particular Series or maturity in lieu of redemption of such Bonds, subject, however, to the limitations of Section 6.06 hereof and subject further to the General Limitation. Such purchases shall be made at any time prior to the publication by the Trustee of a notice of redemption. The Trustee shall apply only moneys in the State Match Bond Account of the Bond Fund of a Program to pay the purchase price of the State Match Portion of Bonds for such Program purchased pursuant to this Section 3.08. The Trustee shall apply only money from the Leveraged Bond Account of the Bond Fund to pay the purchase price of the Leveraged Portion of Bonds purchased pursuant to this Section 3.08.

ARTICLE IV

Application of Bond Proceeds and Other Moneys; Loans

Section 4.01 Proceeds of Bonds of a Series; Determination of Leveraged Portion and State Match Portion. (a) The proceeds of the sale and delivery of the Bonds of each Series shall be applied, except as provided in Section 4.02 of this Indenture, simultaneously with the delivery thereof by the Trustee, as follows:

(1) The amount, if any, received upon the delivery of any Series of Bonds as accrued interest shall be divided proportionately between the Drinking Water Bond Fund and the Clean Water Bond Fund in accordance with the Drinking Water Portion and Clean Water Portion of the Bonds and shall be deposited in the Leveraged Bond Accounts and the State Match Bond Accounts of the Drinking Water Fund and Clean Water Fund, respectively, in proportions which correspond to the Leveraged Portions and State Match Portions of the Drinking Water Portion and Clean Water Portion, respectively, of interest on the Bonds;

(2) The amount necessary to pay the Costs of Issuance of the Series of Bonds shall be deposited in the applicable State Administration Account of the Administration Funds;

(3) Subject to the limitations of Section 5.06 hereof, the amounts, if any, required to be deposited in the applicable Restricted Reserve Account and State Match Reserve Account of the Reserve Funds pursuant to the applicable Series Resolution shall be deposited in each such Account;

(4) The amount, if any, specified in the Series Resolution as capitalized interest shall be deposited in the applicable Bond Fund and divided proportionately between the applicable Leveraged Bond Account and the State Match Bond Account in accordance with the Leveraged Portion and State Match Portion of the interest due on the Bonds specified in the Series Resolution (subject to any adjustment necessary by reason of any transfer of funds from the Bond Proceeds Account as permitted by Section 4.01(b) hereof and the applicable Series Resolution); and

(5) Except in the case of Refunding Bonds, the balance shall be deposited in the applicable Loan Fund. Bond proceeds deposited in the Loan Funds shall be divided between the applicable Leveraged Loan Account, the State Match Loan Account and/or the Bond Proceeds Account as specified in the Series Resolution.

The Drinking Water Portion and the Clean Water Portion, respectively, of principal and interest payments on each Series of Bonds shall be all principal and interest payments on particular Bonds within the Series designated by the Series Resolution or any Bond Order relating to a Series of Bonds as being Drinking Water Portion Bonds or Clean Water Portion Bonds, each respectively in a principal amount (rounded to the

nearest \$5,000) equal to the amount determined by either of the following methods which the District shall determine is a fair and equitable method consistent with the proportionate benefits to the two Programs:

(i) the principal amount of all Bonds of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Bonds deposited in the Drinking Water Program Subfund (when determining the amount of the Drinking Water Portion Bonds) or (B) the amount of proceeds deposited in the Clean Water Program Subfund (when determining the amount of the Clean Water Portion Bonds), and the denominator of which is the total amount of proceeds of the Bonds of such Series deposited in both Program Subfunds; or

(ii) the principal amount of Bonds of each maturity of a Series multiplied by a fraction for such maturity the numerator of which is (A) the amount of proceeds of the Bonds of such maturity deposited in the Drinking Water Program Subfund (when determining the Drinking Water Portion Bonds of such maturity) or (B) the amount of proceeds deposited in the Clean Water Program Subfund (when determining the amount of the Clean Water Portion Bonds of such maturity), and the denominator of which is the total amount of proceeds of the Bonds of such maturity of such Series deposited into both Program Subfunds.

The method described in clause (ii) above shall be used by the District in instances in which the weighted average maturity of the Allocable Portion of Bonds of a Series issued for one Program is materially different than the weighted average maturity of the Allocable Portion of Bonds of the same Series issued for the other Program such as would be the case, for example, when Bonds are issued both (a) to refund prior Bonds and (b) to fund deposits to one or more Loan Accounts.

The Drinking Water Portion and Clean Water Portion, respectively, of principal and interest payments on any Series of Refunding Bonds shall be all principal and interest payments on any particular Bonds within the Series designated by the Series Resolution as being Drinking Water Portion Bonds or Clean Water Portion Bonds, each respectively in a principal amount equal to the principal amount of all Bonds of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Refunding Bonds necessary to pay or defease the Drinking Water Portion of the Bonds to be paid or defeased (when determining the amount of the Drinking Water Portion Bonds) or (B) the amount of proceeds of the Refunding Bonds necessary to pay or defease the Clean Water Portion of the Bonds to be paid or defeased (when determining the amount of the Clean Water Portion Bonds), as applicable, and the denominator of which is the total amount of the proceeds of the Refunding Bonds to be used to pay or defease Outstanding Bonds.

For each Series of Bonds, the total of the Drinking Water Portion and Clean Water Portion shall equal 100% of the principal and interest on such Series of Bonds. If Bonds are redeemed prior to redemption and the relative amounts applied for that purpose from the

Drinking Water Program Subfunds and Clean Water Program Subfunds do not correspond to the ratio between the Clean Water Portion and Drinking Water Portion of the principal and interest on the redeemed Bonds, the District shall make adjustments to the Clean Water Portion and Drinking Water Portion of the Bonds left outstanding in a manner which approximately compensates for any disproportionate application of funds from the Clean Water Program Subfunds and Drinking Water Program Subfunds to the redemption and a written notice of such adjustment shall be filed with the Trustee.

The Leveraged Portion and the State Match Portion, respectively, of each of the Drinking Water Portion and Clean Water Portion of principal and interest payments on the Bonds of any Series, except Refunding Bonds, shall be all principal and interest payments on particular Bonds within the Series designated by the Series Resolution as being Leveraged Portion Bonds or State Match Portion Bonds, as applicable, each respectively in a principal amount equal to the principal amount of all Drinking Water Bonds or Clean Water Bonds, as the case may be, of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Bonds deposited in the Leveraged Loan Account (when determining the amount of the Leveraged Portion Bonds) or (B) the amount of proceeds deposited in the State Match Loan Account (when determining the amount of the State Match Portion Bonds) for such Program, and the denominator of which is the total amount of proceeds of the Bonds of such Series deposited in such Loan Fund for such Program.

The Leveraged Portion and State Match Portion, respectively, of principal and interest payments on the Drinking Water Portion and the Clean Water Portion, as the case may be, of any Series of Refunding Bonds shall be all principal and interest payments on particular Bonds within the Series designated by the Series Resolution as being Leveraged Portion Bonds or State Match Portion Bonds, as applicable, each respectively in a principal amount equal to the principal amount of all Drinking Water Bonds or Clean Water Bonds, as the case may be, of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Refunding Bonds necessary to pay or defease the Leveraged Portion of such Bonds to be paid or defeased (when determining the amount of the Leveraged Portion Bonds) or (B) the amount of proceeds of the Refunding Bonds necessary to pay or defease the State Match Portion of such Bonds to be paid or defeased (when determining the amount of the State Match Portion Bonds) for such Program and the denominator of which is the total amount of the proceeds of the Refunding Bonds to be used to pay or defease such Drinking Water Portion or Clean Water Portion of such Outstanding Bonds.

For each of the Drinking Water Portion and Clean Water Portion of each Series of Bonds, the total of the Leveraged Portion and State Match Portion shall equal 100% of such Drinking Water Portion and Clean Water Portion of the principal and interest on such Series of Bonds, as the case may be.

(b) In satisfaction of the requirements of Section 2.11(d) and Section 4.01(a)(5) of this Master Indenture, the District may determine that it is necessary or appropriate to indicate that the designation of the Initial State Match Portion and the Initial Leveraged Portion of any series of Bonds may be subject to adjustment because of a lack of certainty as to the ultimate use of the proceeds, including a lack of certainty as to the availability of sufficient funds to be

deposited to the Federally Capitalized Loan Account or as to the relative demand for loans for either Program. In such event, the District shall provide in the Series Resolution or in a subsequent written notice filed with the Trustee, as follows:

(1) The District shall specify that all or a designated portion of the proceeds of the series shall be initially deposited to a Bond Proceeds Account and, pending transfer thereof to another account, specify whether the amount deposited into such Bond Proceeds Account shall be treated as being initially allocable to the State Match Portion or the Leveraged Portion of such series of Bonds so that the Series Resolution, or the certificate described in Section 2.11(d) of this Master Trust Indenture, designate 100% of the Bonds of such Series (or the debt service with respect to the Bonds of such series) as being initially classified as State Match Portion and Leveraged Portion;

(2) Specify the conditions precedent (the “Optional Transfer Conditions”) which shall be required to be satisfied prior to the optional transfer of the amounts on deposit in the Bond Proceeds Account to one or more specified accounts within the Loan Fund specified by the District in the Series Resolution;

(3) Specify that, in the event that the Optional Transfer Conditions are not satisfied by the Transfer Date, then the amounts on deposit in the Bond Proceeds Account derived from such series of Bonds shall be transferred (herein, the “Mandatory Transfer”) to one or more accounts to be specified in the Series Resolution and which shall be consistent with the assumptions determined by the District to be reasonable in or in connection with the District’s Coverage Certificate prepared to satisfy the conditions precedent established in Subsections (b) and (c) of Section 2.11 of this Master Trust Indenture in connection with the issuance of such series of Bonds;

(4) Specify the date on or before which the amounts on deposit in the Bond Proceeds Account shall be transferred to one or more other accounts and on or before which the Initial State Match Portion and Initial Leveraged Portion shall be adjusted to a final determination of State Match Portion and Leveraged Portion; and

(5) Require that no adjustment of the Initial State Match Portion and the Initial Leveraged Portion shall occur unless the District files with the Trustee a Coverage Certificate that, based upon the Adjusted State Match Portion and the Adjusted Leveraged Portions, demonstrates that the tests established in subsections (b) and (c) of Section 2.11 of this Master Trust Indenture will be satisfied as of the Transfer Date (assuming such proposed transfers of amounts from the Bond Proceeds Accounts on such Transfer Date) in the same manner as such tests would otherwise be applicable if the District were to be issuing additional Bonds on the Transfer Date to provide funds for such deposits (rather than making such proposed transfers of amounts from the Bond Proceeds Accounts and adjusting the Initial State Match Portion and the Initial Leveraged Portion).

(c) In the event that funds are transferred from one Program to the other Program as contemplated by Sections 5.14 or 5.17 hereof, then the Allocable Portion of Bonds shall be

adjusted consistent with such transfers, such adjustments to be evidenced by a written certificate signed by an Authorized Representative and filed with the Trustee and each Rating Agency.

Section 4.02 Refunding Bond Proceeds. The amount, if any, received as the proceeds attributable to Refunding Bonds of such Series, shall be applied as provided in the Series Resolution.

Section 4.03 Loans. Reference is hereby made to Section 5.02 hereof for a description of the funds to be deposited in and withdrawn from the State Match Loan Account, the Leveraged Loan Account and the Federally Capitalized Loan Account of the Loan Fund for each Program. As provided in Section 5.02, Loans for each Program may be made from such Accounts in such proportions as may be established by the applicable Series Resolution or District Request.

Each Loan shall be made in accordance with the terms of a Loan Agreement and the Applicable EPA Agreement and shall be evidenced by Loan Obligations of the Borrower which is the recipient of the Loan. The interest rate and terms of the Loans and related Loan Obligations shall be determined by the District and Department in accordance with the Applicable EPA Agreement, the Relevant Federal Act and applicable rules of the Board of Water and Natural Resources. The proceeds of each Loan must be expended for eligible costs under the Relevant Federal Act and Applicable EPA Agreements between the Department and the Environmental Protection Agency. All Loans made from the State Match Loan Accounts or the Leveraged Loan Accounts shall be determined by the District to have met the Credit Standard then in effect, unless the District waives or amends the Credit Standard.

Amounts on deposit in the Loan Funds shall be disbursed by the Trustee pursuant to District Request. The Trustee shall have no obligation to see to the proper application of the proceeds of the Loans.

ARTICLE V

Funds and Accounts

Section 5.01 Establishment of Funds and Accounts. The Funds, Accounts and Subaccounts established under the Original Indentures are described herein and are governed hereby. There are hereby established separate and distinct Funds and Accounts with respect to each Program as follows:

(a) A separate and distinct Loan Fund for each of the Clean Water Program and the Drinking Water Program, as described in Section 5.02 hereof, each Loan Fund to include a Federally Capitalized Loan Account, a Leveraged Loan Account, a State Match Loan Account and a Bond Proceeds Account;

(b) A separate and distinct Administration Fund for each of the Clean Water Program and the Drinking Water Program, as described in Section 5.03 hereof, each Administration Fund to include an SRF Administration Account and a State Administration Account;

(c) A separate and distinct Revenue Fund for each of the Clean Water Program and the Drinking Water Program, as described in Section 5.04 hereof, each Revenue Fund to include an Unrestricted Interest Repayments Account together with an Unrestricted Cumulative Excess Interest Repayments Subaccount therein and a Restricted Principal Repayments Account together with a Restricted Cumulative Excess Principal Repayments Subaccount therein;

(d) A separate and distinct Bond Fund for each of the Clean Water Program and the Drinking Water Program, as described in Section 5.05 hereof, each Bond Fund to include a State Match Bond Account, a Leveraged Bond Account and a Capitalized Interest Account; and

(e) A separate and distinct Reserve Fund for each of the Clean Water Program and the Drinking Water Program, as described in Section 5.06 hereof, each Reserve Fund to include a Restricted Reserve Account, an Unrestricted Reserve Account and a State Match Reserve Account.

The District may also establish by Series Resolution or otherwise within any Fund one or more separate Accounts or Subaccounts relating to a particular Series of Bonds or for other purposes and the District shall establish such separate Accounts or Subaccounts to the extent necessary to comply with any investment agreement described in (g) of the definition of Investment Obligations herein or as otherwise required in the opinion of Bond Counsel. All such Funds, Accounts and Subaccounts shall be held by the Trustee in trust for application only in accordance with the provisions of this Indenture and the terms of any applicable Series Resolution.

Section 5.02 Loan Fund. The Loan Fund for each Program shall consist of a State Match Loan Account, a Leveraged Loan Account, a Federally Capitalized Loan Account and a Bond Proceeds Account. Subject, in all events, to the General Limitation, the Trustee shall deposit in the State Match Loan Account for each Program (a) that portion, if any, of the net proceeds of the Allocable Portion of Bonds which is specified in or as shall be otherwise provided by the related Series Resolution for such State Match Loan Account as providing the State Match requirement under the Relevant Federal Act and any Applicable EPA Agreement and (b) any other funds directed by the District or required under this Indenture to be deposited in such Account. The Trustee shall deposit in the Leveraged Loan Account for each Program that portion, if any, of the net proceeds of the Allocable Portion of Bonds which is specified in or as shall be otherwise provided by the related Series Resolution as being other than for the State Match requirement under the Relevant Federal Act and any Applicable EPA Agreement. The Trustee shall deposit in the Federally Capitalized Loan Account for each Program (a) the amounts in the Restricted Principal Repayments Account of the Revenue Fund for such Program directed to be transferred thereto pursuant to clause (5) of Section 5.04(d) or (h) hereof, as applicable, (b) any amounts directed by the District to be transferred thereto from the Restricted Reserve Account in the Reserve Fund for such Program which are not required to be maintained therein in order to meet the Total Reserve Requirement, (c) any amounts received from a draw under the Letter of Credit which the District directs to be deposited therein and which are not required to be deposited in the Reserve Fund for such Program, and (d) any other amounts in any Fund or Account for such Program which the District directs to be deposited therein to the extent authorized hereunder. The Trustee shall deposit in the Bond Proceeds Account for each Program

the Allocable Portion of Bonds which the District determines pursuant to Section 4.01(b) and any applicable provision of the Series Resolution. Funds may be transferred from the Bond Proceeds Account for a Program to any other account for such Program as provided in Section 4.01 of this Master Trust Indenture and as otherwise permitted hereunder or under a Series Resolution.

For each Program, each Loan to a Borrower shall be funded from the related State Match Loan Account, the Leveraged Loan Account and the Federally Capitalized Loan Account for such Program in such proportions as shall be provided by the Series Resolution and as may be permitted by the Applicable EPA Agreement, except that, in the case of a Loan to be funded from sources other than Bond proceeds, the Loan may be disbursed pursuant to a District Request and any Applicable EPA Agreement.

For each Program, amounts on deposit in the Loan Fund shall be used to make Loans to Borrowers in accordance with Section 4.03 hereof; provided, however, that amounts on deposit in the State Match Loan Account for the Clean Water Program may, at the direction of the District, be transferred to the SRF Administration Account for the purpose of providing the State Match component thereof.

Amounts on deposit in Federally Capitalized Loan Account of the Loan Fund for a Program shall, if not required to be disbursed to a Borrower pursuant to a Loan Agreement, be transferred to the related Restricted Reserve Account of the Reserve Fund for such Program to the extent necessary to restore any deficiency therein.

For each Program, all amounts on deposit in the Loan Fund shall constitute part of the Trust Estate and may be used only to pay the principal and interest on the Allocable Portion of Bonds and to purchase Loan Obligations pursuant to Loan Agreements with respect to such Program; provided that amounts in the Leveraged Loan Account and Federally Capitalized Loan Account shall be used only for the payment of the Leveraged Portion of principal and interest on the Allocable Portion of Bonds (or transferred as provided in Section 5.04(d) or (h) for payment of the Leveraged Portion of principal and interest of Bonds under the other Program) and shall not be used for the payment of the State Match Portion of principal and interest on any Bonds. No amounts in either Loan Fund which are required to be disbursed to a Borrower under a Loan Agreement may be used to pay principal or interest on any Bonds.

Section 5.03 Administration Fund. The Administration Fund for each Program shall consist of an SRF Administration Account and a State Administration Account.

The Trustee shall deposit in the applicable State Administration Account any Administrative Expense Surcharge or other fees paid by a Borrower which are required to be deposited therein under the terms of any Loan Agreement and that portion of the proceeds of the Allocable Portion of Bonds which the Chairman or other authorized officer or representative of this District certifies are necessary to pay the Costs of Issuance of such Bonds.

The Trustee shall deposit in the applicable SRF Administration Account that portion of each draw on the related Letter of Credit which have been designated by the District for payment

of administrative costs of the Clean Water Program or Drinking Water Program, as applicable, and as permitted to be applied for that purpose under the Relevant Federal Act and the Applicable EPA Agreement.

Amounts on deposit from time to time in the Administration Fund shall be disbursed by the Trustee for the payment or reimbursement of administrative costs of the related Program upon a District Request. Amounts on deposit in each Administration Fund may also be used to pay Costs of Issuance for the Allocable Portion of Bonds. No amounts in either SRF Administration Account shall be used to pay principal or interest on the State Match Portion of any Bonds. The District shall not permit any amounts deposited in the SRF Administration Account to be applied to any use other than allowable administrative costs under the Relevant Federal Act.

Unless the Trustee receives a contrary District Request, to the extent that any State Match Portion of the proceeds of any series of Bonds are deposited into an Administration Fund for the purpose of paying Costs of Issuance but such funds remain unexpended as of the date three years from the original dated date of such series of Bonds, such unexpended proceeds shall be transferred to the related State Match Loan Account.

Section 5.04 Revenue Fund. (a) Each Revenue Fund shall consist of a Restricted Principal Repayments Account and an Unrestricted Interest Repayments Account. The Restricted Principal Repayments Account for each Program shall include the Restricted Cumulative Excess Principal Repayments Subaccount and any reference to the Restricted Principal Repayments Account shall be deemed to include the Restricted Cumulative Excess Principal Repayments Subaccount. The Unrestricted Interest Repayments Account for each Program shall include the Unrestricted Cumulative Excess Interest Repayments Subaccount and any reference to the Unrestricted Interest Repayments Account shall be deemed to include the Unrestricted Cumulative Excess Interest Repayments Subaccount.

(b) The Trustee shall make deposits to and disbursements from the Revenue Fund of the Clean Water Program as provided in paragraphs (c), (d) and (e) of this Section 5.04. Upon receipt of a payment of principal or interest on a Clean Water Loan, the Trustee shall deposit such principal and interest in the Revenue Fund of the Clean Water Program as follows:

- (1) into the Clean Water Restricted Principal Repayments Account, each principal payment on each Clean Water Loan; and
- (2) into the Clean Water Unrestricted Interest Repayments Account, each interest payment on each Clean Water Loan.

In dividing payments received with respect to each Clean Water Loan between principal and interest, the Trustee shall divide each payment in accordance with the terms of the Loan and, in the case of partial payments, shall assume that the payments are to be applied first to interest and then to principal.

(c) The Trustee shall also deposit in the Unrestricted Interest Repayments Account of the Clean Water Revenue Fund upon receipt any investment income earned on amounts on deposit (1) in the Clean Water Loan Fund (and each Account therein) and (2) the various other Clean Water Funds and Accounts established under this Indenture for the Clean Water Program the earnings on which are not required to be maintained therein or otherwise transferred pursuant to the terms of this Indenture. Under no circumstances shall (1) any principal payments on any Clean Water Loan be deposited in the Clean Water Unrestricted Interest Repayments Account or (2) any investment income earned on amounts on deposit in the Clean Water State Match Reserve Account or the State Administration Account be deposited in the Clean Water Revenue Fund. Investment income earned on amounts on deposit in the Clean Water State Match Reserve shall be credited to the State Match Reserve Account and investment income earned on amounts on deposit in the Clean Water State Administration Account shall be credited to the Clean Water State Administration Account.

(d) On the business day prior to each Bond Payment Date the Trustee shall make transfers from the Clean Water Restricted Principal Repayments Account (including the Clean Water Restricted Cumulative Excess Principal Repayments Subaccount) in the following order:

(1) The amount (after taking into account any available amount in the Clean Water Capitalized Interest Account) needed to pay the Leveraged Portion of the principal and interest on the Clean Water Bonds shall be transferred to the Leveraged Bond Account of the Clean Water Bond Fund including (if the transfer is to be made with respect to a February 1 Bond Payment Date) one-half of the annual principal amount due or to become due on the Leveraged Portion of such Clean Water Bonds by reason of maturity or Sinking Fund Installment on the next occurring August 1 Bond Payment Date; and

(2) The amount necessary to satisfy any deficiency in the Clean Water Total Reserve Requirement shall be transferred to the Restricted Reserve Account; and

(3) The amount required by Section 5.15 of this Indenture to be transferred to the Restricted Principal Repayments Account of the Drinking Water Revenue Fund shall be transferred to such account;

(4) The amount of any Drinking Water Reimbursement Obligation shall be transferred to a Drinking Water Fund or Account for application as required by Section 5.13 hereof to the extent such Drinking Water Reimbursement Obligation cannot be satisfied by the transfer to be made under Section 5.04(e)(6) below; and

(5) The balance, if any, shall be retained in the Clean Water Restricted Cumulative Excess Principal Repayments Subaccount of the Restricted Principal Repayments Account until it is applied for the purposes described above, is transferred to replenish the Clean Water Restricted Reserve Account of the Reserve Fund if there is a deficiency therein on any Valuation Date or, at the written direction of the Authorized Representative is deposited in the Federally Capitalized Loan Account of the Clean Water Loan Fund.

(e) On the business day prior to each Bond Payment Date, the Trustee shall make transfers from the Clean Water Unrestricted Interest Repayments Account (including the Clean Water Unrestricted Cumulative Excess Interest Repayments Subaccount) in the following amounts and order:

(1) The amount (taking into account any available amounts in the Clean Water Capitalized Interest Account and other accounts within the Clean Water Bond Fund) needed to pay the State Match Portion of principal and interest on the Clean Water Bonds on such Bond Payment Date shall be transferred to the Clean Water State Match Bond Account of the Bond Fund;

(2) The amount, if any, which is needed to pay the remainder of the Leveraged Portion of the principal and interest on the Clean Water Bonds which was not provided by the transfer under (d)(1) above or by a transfer from amounts in the Drinking Water Fund pursuant to Section 5.12 hereof shall be transferred to the Clean Water Leveraged Bond Account of the Bond Fund;

(3) If such Bond Payment Date is a February 1 Bond Payment Date, the amount (after taking into account any available amount in the Capitalized Interest Account) needed to pay one-half of the State Match Portion of the principal on the Clean Water Bonds on the next August 1 Bond Payment Date shall be transferred to the Clean Water State Match Bond Account of the Bond Fund, whether such principal amount is due or to become due by reason of maturity or Sinking Fund Installment on the next occurring August 1 Bond Payment Date;

(4) The amount, if any, needed to increase the amount on deposit in the Clean Water Reserve Fund to satisfy the Clean Water Total Reserve Requirement or the Clean Water State Match Reserve Requirement shall be transferred to the Unrestricted Reserve Account of the Clean Water Reserve Fund;

(5) The amount required by Section 5.15 of this Indenture to be transferred to the Unrestricted Interest Repayments Account of the Drinking Water Revenue Fund shall be transferred to such account;

(6) The amount of any Drinking Water Reimbursement Obligation shall be transferred to the Drinking Water Fund or Account required by Section 5.13 hereof; and

(7) The balance, if any, shall be credited to and retained in the Clean Water Unrestricted Cumulative Excess Interest Repayments Subaccount of the Unrestricted Interest Repayments Account unless and until amounts therein are applied for any purpose described in (e)(1), (2), (3), (4), (5) or (6) above or the District shall otherwise direct in writing that such amounts be transferred to any other Clean Water Fund or Account established under this Indenture other than the Clean Water State Administration Account of the Administration Fund and the Clean Water State Match Reserve Account of the Reserve Fund.

(f) The Trustee shall make deposits to and disbursements from the Revenue Fund of the Drinking Water Program as provided in paragraphs (g), (h) and (i) of this Section 5.04. Upon receipt of a payment of principal or interest on a Drinking Water Loan, the Trustee shall deposit such principal and interest in the Revenue Fund of the Drinking Water Program as follows:

(1) into the Drinking Water Restricted Principal Repayments Account, each principal payment on each Drinking Water Loan; and

(2) into the Drinking Water Unrestricted Interest Repayments Account, each interest payment on each Drinking Water Loan.

In dividing payments received with respect to each Drinking Water Loan between principal and interest, the Trustee shall divide each payment in accordance with the terms of the Loan and, in the case of partial payments, shall assume that the payments are to be applied first to interest and then to principal.

(g) The Trustee shall also deposit in the Unrestricted Interest Repayments Account of the Drinking Water Revenue Fund upon receipt any investment income earned on amounts on deposit (1) in the Drinking Water Loan Fund (and each Account therein) and (2) the various other Drinking Water Funds and Accounts established under this Indenture for the Drinking Water Program the earnings on which are not required to be maintained therein or otherwise transferred pursuant to the terms of this Indenture. Under no circumstances shall (1) any principal payments on any Drinking Water Loan be deposited in the Drinking Water Unrestricted Interest Repayments Account or (2) any investment income earned on amounts on deposit in the Drinking Water State Match Reserve Account or the State Administration Account be deposited in the Drinking Water Revenue Fund. Investment income earned on amounts on deposit in the Drinking Water State Match Reserve shall be credited to the State Match Reserve Account and investment income earned on amounts on deposit in the Drinking Water State Administration Account shall be credited to the Drinking Water State Administration Account.

(h) On the business day prior to each Bond Payment Date the Trustee shall make transfers from the Drinking Water Restricted Principal Repayments Account (including the Restricted Cumulative Excess Principal Repayments Subaccount) in the following order:

(1) The amount (after taking into account any available amount in the Drinking Water Capitalized Interest Account) needed to pay the Leveraged Portion of the principal and interest on the Drinking Water Bonds shall be transferred to the Leveraged Bond Account of the Drinking Water Bond Fund including (if the transfer is to be made with respect to a February 1 Bond Payment Date) one-half of the annual principal amount due or to become due on the Leveraged Portion of such Drinking Water Bonds by reason of maturity or Sinking Fund Installment on the next occurring August 1 Bond Payment Date;

(2) The amount necessary to satisfy any deficiency in the Drinking Water Total Reserve Requirement shall be transferred to the Restricted Reserve Account;

(3) The amount required by Section 5.12 of this Indenture to be transferred to the Restricted Principal Repayments Account of the Clean Water Revenue Fund shall be transferred to such account;

(4) The amount of any Clean Water Reimbursement Obligation shall be transferred to a Clean Water Fund or Account for application as required by Section 5.16 hereof to the extent such Clean Water Reimbursement Obligation cannot be satisfied by the transfer to be made under Section 5.04(i)(6) below; and

(5) The balance, if any, shall be retained in the Drinking Water Restricted Cumulative Excess Principal Repayments Subaccount of the Restricted Principal Repayments Account until it is applied for the purposes described above, is transferred to replenish the Drinking Water Restricted Reserve Account of the Reserve Fund if there is a deficiency therein on any Valuation Date or, at the written direction of the District is deposited in the Federally Capitalized Loan Account of the Drinking Water Loan Fund.

(i) On the business day prior to each Bond Payment Date, the Trustee shall make transfers from the Drinking Water Unrestricted Interest Repayments Account (including the Drinking Water Unrestricted Cumulative Excess Interest Repayments Subaccount) in the following amounts and order:

(1) The amount (taking into account any available amounts in the Drinking Water Capitalized Interest Account and other accounts within the Drinking Water Bond Fund) needed to pay the State Match Portion of principal and interest on the Drinking Water Bonds on such Bond Payment Date shall be transferred to the Drinking Water State Match Bond Account of the Bond Fund;

(2) The amount, if any, which is needed to pay the remainder of the Leveraged Portion of the principal and interest on the Drinking Water Bonds which was not provided by the transfer under (h)(1) above or by a transfer from amounts in the Clean Water Fund pursuant to Section 5.15 hereof shall be transferred to the Drinking Water Leveraged Bond Account of the Bond Fund;

(3) If such Bond Payment Date is a February 1 Bond Payment Date, the amount (after taking into account any available amount in the Capitalized Interest Account) needed to pay one-half of the State Match Portion of the principal on the Drinking Water Bonds on the next August 1 Bond Payment Date shall be transferred to the Drinking Water State Match Bond Account of the Bond Fund, whether such principal amount is due or to become due by reason of maturity or Sinking Fund Installment on the next occurring August 1 Bond Payment Date; and

(4) The amount, if any, needed to increase the amount on deposit in the Drinking Water Reserve Fund to satisfy the Drinking Water Total Reserve Requirement or the Drinking Water State Match Reserve Requirement shall be transferred to the Unrestricted Reserve Account of the Drinking Water Reserve Fund;

(5) The amount required by Section 5.12 of this Indenture to be transferred to the Unrestricted Interest Repayments Account of the Clean Water Revenue Fund shall be transferred to such account;

(6) The amount of any Clean Water Reimbursement Obligation shall be transferred to the Clean Water Fund or Account required by Section 5.16 hereof; and

(7) The balance, if any, shall be credited to and retained in the Drinking Water Unrestricted Cumulative Excess Interest Repayments Subaccount of the Unrestricted Interest Repayments Account unless and until amounts therein are applied for any purpose described in (i)(1), (2), (3), (4), (5) or (6) above or the District shall otherwise direct in writing that such amounts be transferred to any other Drinking Water Fund or Account established under this Indenture other than the Drinking Water State Administration Account of the Administration Fund and the Drinking Water State Match Reserve Account of the Reserve Fund.

Section 5.05 Bond Fund. If provided for in a Series Resolution, the Trustee shall establish a Capitalized Interest Account within each Bond Fund for a specific series of Bonds and shall observe any limitations applicable thereto as to whether such Capitalized Interest Account shall be available to pay interest with respect to the State Match Portion or the Leveraged Portion of the debt service with respect to Bonds. Before any other transfer is made under this Indenture for the payment of interest with respect to Bonds, the Trustee shall first transfer any available amounts in the Cost of Issuance Account to the State Match Account or Leveraged Bond Account (as applicable) as provided in the applicable Series Resolution.

On or prior to each Bond Payment Date, the Trustee shall withdraw from the respective Restricted Principal Repayments Account and the Unrestricted Interest Repayments Account of each Revenue Fund, in the manner set forth in Section 5.04 hereof, amounts sufficient to pay the Leveraged Portion and the State Match Portion of the principal and interest on the Bonds due on such Bond Payment Date, including the Redemption Price of Bonds which have been called for prior redemption. Accordingly, there shall be transferred to the State Match Bond Account of each Bond Fund from the related Unrestricted Interest Repayments Account of the Revenue Fund for each Program amounts sufficient to pay the State Match Portion of the principal and interest on the related Bonds due on such Bond Payment Date and there shall be transferred to each Leveraged Bond Account of the Bond Fund from the Restricted Principal Repayments Account of the Revenue Fund for each Program amounts sufficient to pay the Leveraged Portion of the principal and interest on the related Bonds due on such Bond Payment Date.

In the event of a deficiency in either Program Subfund in the amount available to be transferred from the Restricted Principal Repayments Account of the Revenue Fund to the Leveraged Bond Account of the Bond Fund, the Trustee shall transfer funds to the Leveraged Bond Account for such Program to make up such deficiency from the following sources within such Program Subfund in the following order:

(a) first, from the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Unrestricted Interest Repayments Account of the Revenue Fund;

(b) second, from any Excess Drinking Water Revenues as provided under Section 5.04(h) hereof to cure a deficiency in the Clean Water Program Subfund and from any Excess Clean Water Revenues as provided in Section 5.04(d) hereof to cure a deficiency in the Drinking Water Program Subfund;

(c) third, from the Restricted Reserve Account of the Reserve Fund;

(d) fourth, from the Unrestricted Reserve Account of the Reserve Fund;

(e) fifth, from any other available Fund or Account established for such Program Subfund under this Indenture (other than the State Match Reserve Account and the State Administration Account);

(f) sixth, subject to the General Limitation, from any other available Fund or Account established for the other Program Subfund under this Indenture (other than the State Match Reserve Account and the State Administration Account).

In the event of a deficiency in the amounts available to be transferred pursuant to Section 5.04(e)(1) and (2) (with respect to the Clean Water Program) and Section 5.04(i)(1) and (2) (with respect to the Drinking Water Program) to the State Match Bond Account of the Bond Fund, the Trustee shall withdraw an amount equal to the deficiency from the State Match Reserve Account of the Reserve Fund for the related Program and apply the same directly to the payment of the State Match Portion of the principal and interest on the Allocable Portion of Bonds due on such Bond Payment Date and under no circumstances shall such amounts be deposited to the State Match Bond Account; provided, however, such transfer and application shall only be made if and to the extent of a deficiency with respect to principal of or interest on Bonds which are secured by a lien on and pledge of amounts on deposit in such Reserve Fund. 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. In the event such transfer is 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 Allocable Portion of Bonds due on such Bond Payment Date and under no circumstances shall such amounts be deposited to the State Match Bond Account. Under no circumstances shall any amounts be transferred directly to the State Match Bond 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.

In the event amounts are credited to an Account of the Bond Fund for payment of debt service on Bonds as a result of a deficiency as set forth above, whenever and to the extent such deficiency shall be made good, moneys in the Account of the Bond Fund to which transfers were made shall be applied by the Trustee to restore such Funds or Accounts to the extent moneys were withdrawn therefrom.

Amounts in the Bond Fund for the payment of Sinking Fund Installments shall be applied by the Trustee to the redemption of Bonds of the Series and maturity for which such Sinking Fund Installment was established in amounts sufficient to retire such bonds as hereinafter provided. As soon as practicable after the forty-fifth (45) day preceding the due date of any such Sinking Fund Installment, the Trustee shall, by giving notice as provided in Section 3.04 hereof, proceed to call for redemption on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amounts as shall be specified in the related Series Resolution, reduced by the principal amount of Bonds of such Series and maturity theretofore delivered by the District to the Trustee to satisfy such Sinking Fund Installment. Such notice shall be given regardless of whether or not moneys therefore shall have been deposited in the Bond Fund and without any instructions from the District. All expenses in connection with such redemption of Bonds shall be paid by the District.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the District may deliver to the Trustee for cancellation, at least forty-five (45) days prior to the due date of such Sinking Fund Installment, Bonds of the Series and maturity for which such Sinking Fund Installment was established. Such Bonds shall be credited at the par amount thereof against each such Sinking Fund Installment thereafter to become due in an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds of the related Series so delivered bears to the total amount of all such Sinking Fund Installments to be credited and shall also deem such credit as applicable to the State Match Portion and Leveraged Portion of such Sinking Fund Installment and interest thereon as the District shall direct. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited towards the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculating Sinking Fund Installments due on a future date.

Section 5.06 Reserve Fund. Each Reserve Fund shall consist of a Restricted Reserve Account, an Unrestricted Reserve Account and a State Match Reserve Account. Subject to the limitations on application of the Restricted Reserve Account and the State Match Reserve Account set forth in this Section 5.06, funds on deposit in each Reserve Fund shall be used to make up any deficiencies in the Bond Fund and the Trustee shall transfer to the Bond Fund or apply to the payment of principal and interest on Bonds, from amounts on deposit in the Reserve Fund, such amounts as may be necessary to pay principal and interest on the Bonds when due.

No Bonds which are to be secured by a lien on and pledge of amounts on deposit in the Reserve Fund shall be issued under this Indenture unless, after giving effect to any deposits to be made from the proceeds thereof into the Restricted Reserve Account and the State Match Reserve Account of the Reserve Fund, both (a) the sum of the amounts on deposit in the State Match Reserve Account and the Unrestricted Reserve Account equals at least the State Match Reserve Requirement for all Bonds then outstanding and the Bonds to be issued hereunder and (b) the sum of the amounts on deposit in the Restricted Reserve Account, the Unrestricted Reserve Account and the State Match Reserve Account equals at least the Total Reserve Requirement for all Bonds then outstanding and the Bonds to be issued hereunder.

Any amounts eligible to be drawn on the Letter of Credit with respect to any Loan pledged hereunder (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 related Reserve Fund but shall not be used to determine the amount on deposit therein for purposes of the definition of Total Reserve Requirement in Section 1.01. If at any time the amounts on deposit in a Reserve Fund are sufficient to satisfy the State Match Reserve Requirement for a Program but the amounts on deposit in such Reserve Fund are less than the Total Reserve Requirement for such Program, then the District shall draw any amounts eligible to be drawn under the Letter of Credit and deposit the same in the Restricted Reserve Account of such Reserve Fund to the extent necessary to satisfy the Total Reserve Requirement for such Program.

Bond proceeds may be deposited in the Restricted Reserve Accounts and State Match Reserve Accounts pursuant to a Series Resolution. All deposits required to be made into the Reserve Funds from the proceeds of a Series of Bonds are subject to the following limitations:

(x) The amount, if any, deposited in the State Match Reserve Account for a Program shall not exceed the amount necessary to be deposited therein in order that upon issuance of the Series of Bonds the amounts on deposit in such State Match Reserve Account, together with amounts then on deposit in such Program's Unrestricted Reserve Account, will satisfy the State Match Reserve Requirement.

(y) None of the proceeds of any Series of Bonds shall be deposited in the Unrestricted Reserve Account.

All funds deposited in the Reserve Fund for a Program, other than proceeds of a draw on the related Letter of Credit and other amounts required by the terms of this Indenture and a Series Resolution to be deposited in the Restricted Reserve Account or State Match Reserve Account for such Program, shall be deposited in the Unrestricted Reserve Account of the Reserve Fund for such Program. In addition, from time to time the District may transfer funds from the Unrestricted Cumulative Excess Interest Repayments Subaccount or any other fund, account or source for a Program to such Program's Reserve Fund in order to satisfy any reserve requirement hereunder and thereupon transfer excess amounts on deposit in such Reserve Fund to the Program's Loan Fund or any account within such Loan Fund.

If on any Bond Payment Date there is a deficiency in the Leveraged Bond Account of the Bond Fund, the Trustee shall transfer to the Leveraged Bond Account the amount of such deficiency in the manner provided by clauses (a), (b), (c), (d) and (e) of Section 5.05 hereof.

If on any Bond Payment Date there is a deficiency in the State Match Bond Account of the Bond Fund for a Program, the Trustee shall withdraw the amount of such deficiency from the State Match Reserve Account of the Reserve Fund for such Program and apply the amount withdrawn to the payment of the State Match Portion of principal and interest on the related Bonds due on such Bond Payment Date. In the event the amount available to be withdrawn from the State Match Reserve Account of the Reserve Fund for a Program is insufficient for this purpose, the Trustee shall transfer to the State Match Bond Account for such Program the remainder of such deficiency from the Unrestricted Reserve Account of the Reserve Fund for

such Program and the State Administration Account of the Administration Fund for such Program in the order and in the manner provided by the third full paragraph of Section 5.05 hereof. Under no circumstances shall the Trustee transfer any amounts on deposit in the Restricted Reserve Account of a Reserve Fund to the State Match Bond Account of the Bond Fund for either Program.

Whenever amounts on deposit in the Reserve Fund for a Program exceed the Total Reserve Requirement, any amounts in 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 for such Program, but not any other Fund or Account hereunder.

Whenever the sum of the amounts on deposit in the Unrestricted Reserve Account and the State Match Reserve Account of the Reserve Fund for a Program exceed the State Match Reserve Requirement for such Program, (a) any amounts in the State Match Reserve Account may be transferred at the direction of the District to the State Match Loan Account of Loan Fund for such Program and (b) any amounts in the Unrestricted Reserve Account for such Program may be transferred at the direction of the District to any other Fund or Account established for such Program under this Indenture other than the State Match Reserve Account and the State Administration Account of the Administration Fund for such Program; provided, however, that the aggregate amount of such transfers shall be limited to the excess over the State Match Reserve Requirement for such Program and shall be made only if and to the extent that the Total Reserve Requirement for such Program is satisfied both before and after such transfers.

In the event either (a) the sum of the amounts on deposit in the Restricted Reserve Account, the Unrestricted Reserve Account and the State Match Reserve Account for a Program is at any time less than the Total Reserve Requirement for such Program or (b) the sum of the amounts on deposit in the Unrestricted Reserve Account and the State Match Reserve Account of the Reserve Fund for a Program is at any time less than the State Match Reserve Requirement for such Program, the Trustee shall forthwith give written notice to the District. For purposes of this Section 5.06, notwithstanding Section 5.07 hereof, investments in the Reserve Fund shall be valued at (a) in the case of any Investment Obligation described in clause (f) or (g) of the definition of Investment Obligation, the face amount thereof plus accrued interest thereon and (b) with respect to any other Investment Obligation, the market value thereof. In addition, the Trustee shall select a monthly Valuation Date and on such Valuation Date the Trustee shall determine the market value of the amounts on deposit in the Restricted Reserve Account, the State Match Reserve Account and the Unrestricted Reserve Account for the purpose of determining whether (i) the amounts on deposit in the Reserve Fund are at any time less than 90% of the Total Reserve Requirement or (ii) the sum of the amounts on deposit in the State Match Reserve Account and the Unrestricted Reserve Account of the Reserve Fund are at any time less than 90% of the State Match Reserve Requirement.

Amounts on deposit in the Restricted Reserve Accounts, the Unrestricted Reserve Accounts and the State Match Reserve Accounts shall only be invested in Investment Obligations described in clauses (a), (b), (f) or (g) of the definition of Investment Obligations or a money market fund or similar fund which invests exclusively in obligations described in clauses (a) or (b) of such definition.

Section 5.07 Investment of Moneys Held by the Trustee.

(a) Moneys in all Funds and Accounts held by the Trustee shall be invested to the fullest extent possible in Investment Obligations, in accordance with written directions (or telephonic directions to be confirmed in writing) given to the Trustee by District Request provided that the maturity date or the date on which such Investment Obligations may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof.

(b) Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Investment Obligation or Investment Obligations, provided that (i) each such investment complies in all respects with the provisions of subsection (a) hereof as they apply to each Fund or Account for which the joint investment is made and (ii) the Trustee maintains separate records for each Fund and Account and such investments are accurately reflected therein.

(c) The Trustee may make any investment permitted by this Section 5.07 through its own bond department, commercial banking department, or commercial paper department.

(d) In computing the amount in any Fund or Account, Investment Obligations purchased as an investment of moneys therein shall be valued at par or, if purchased at other than par, at their Amortized Value, in either event inclusive of accrued interest.

(e) Except for investment earnings transferred to the Unrestricted Interest Repayments Accounts of the Revenue Funds pursuant to Section 5.04 hereof or as otherwise specifically provided in this Indenture, the income or interest earned by, or increment to, all Funds and Accounts due to the investment thereof, until the District otherwise directs in accordance with Section 5.04, shall be credited to such Fund or Account.

(f) Absent of any express District Request directing the sale or presentation for redemption of particular Investment Obligations, the Trustee shall sell at the best price obtainable, or present for redemption, any Investment Obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

(g) With respect to all investments permitted by this Section 5.07, the District shall be required to make such determinations of amounts required to be rebated pursuant to Section 148(f) of the Code to the United States of America at such times as may be required by Section 148(f) of the Code. To the extent necessary to pay any rebate or penalty under Section 148(f) of the Code or similar provision, the District may, notwithstanding any other provision of this Indenture, apply any funds in the Loan Funds, the Bond Funds, the Revenue Funds or the Reserve Funds for that purpose, except that no funds may be withdrawn from the Leveraged Loan Accounts or Federally Capitalized Loan Accounts of the Loan Funds, the Restricted Principal Repayments Accounts of the Revenue Funds, the Restricted Reserve Accounts of the Reserve Funds or the Leveraged Bond Accounts of the Bond Funds to pay any rebate or penalty

arising out of or properly allocable to the investment of amounts which are proceeds of the State Match Portion of any Bonds. The District must maintain records of all such determinations for a period of not less than three (3) years after the retirement of the last Bond of a Series, or for such other period as may be required by Section 148(f) of the Code. With respect to making any such determinations, the District may hire, and the District and the Trustee may rely upon, the written opinion of independent legal counsel or upon the written advice of a firm or individual of nationally recognized standing as an expert in the matters of arbitrage compliance and may receive payment for the fees of such counsel or expert as provided herein.

(h) For purposes of compliance with the provisions of Section 148(f) of the Code, the District may issue to the Trustee letters of instruction detailing the investments and manner of restrictions on investment of Funds and Accounts and the application of the income or interest earned thereon, and, if accepted by the Trustee, such letters of instruction shall be binding on the Trustee as though set forth fully in this Indenture. Such letters of instruction (which may be revised, amended or supplemented from time to time) may, among other things, impose requirements not to invest in any investments or employ any investment practices or make investments at certain yields which are prohibited under the provisions of Section 148 of the Code, and impose requirements to notify the Borrower obligated on a Loan Obligation of determinations and payments made and other actions taken by the Trustee pursuant to this Indenture. With respect to complying with any such letters of instruction, the Trustee may hire and rely upon the written opinion of independent legal counsel or upon the written advice of a firm or individual of nationally recognized standing as an expert in the matters of arbitrage compliance.

Section 5.08 Liability of Trustee for Investments. The Trustee shall not be liable or responsible for the making of any investment authorized or required by the provisions of this Article V in the manner provided in this Article V or for any loss resulting from any such investment so made, except for its own intentional misconduct, negligence or willful neglect with respect to such authorization or requirement.

Section 5.09 State Revolving Fund. All Funds, Accounts and subaccounts established hereunder for each Program, except the State Administration Account of the Administration Fund, the State Match Reserve Account of the Reserve Fund and the Bond Proceeds Account of the Loan Fund, are a part of the State Revolving Fund for purposes of the Clean Water Act and Drinking Water Act, respectively, any Applicable EPA Agreement and the Act and shall be used and expended in a manner consistent with this Indenture, the Act, any Applicable EPA Agreement, the Relevant Federal Act and all lawfully promulgated regulations thereunder. All Funds, Accounts and subaccounts created herein which are not a part of the State Revolving Fund for purposes of the Relevant Federal Act shall be used and expended in a manner consistent with this Indenture and the Act and all lawfully promulgated regulations thereunder.

Section 5.10 Release or Substitution of Loan Obligations, Loan Agreements and Other Assets From or To the Lien of the Master Indenture.

(a) The District reserves the right to cause certain Loan Obligations, Loan Agreements and other assets to be released from or added for the purpose of becoming subject to

the lien of this Master Indenture, and any supplement hereto, pursuant to the provisions of this Section 5.10.

(b) To cause one or more Loan Obligations, Loan Agreements and other assets to be released from the lien of this Master Indenture pursuant to the provisions of this Section 5.10, the District shall notify the Rating Agency as provided in (d) below and shall cause to be prepared and shall file with the Trustee (1) a list of Loan Obligations, Loan Agreements and other assets together with any related instruments to be released as herein provided and (2) a Coverage Certificate which, with supporting schedules, shall demonstrate that (a) for the most recently completed Bond 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 the principal and interest due in such year on the State Match Portion and the Leveraged Portion on all then Outstanding Bonds 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 the principal and interest due in such year on the State Match Portion and the Leveraged Portion on all then Outstanding Bonds. The District shall provide a copy of the items described in clauses (1) and (2) hereof to any rating agency then maintaining a rating with respect to any Outstanding Bonds.

(c) The Trustee, upon the written direction of the District, signed by an Authorized Representative, may release Loans and the related Loan Agreements and Loan Obligations and/or substitute one or more Loans for such Loan and related Loan Agreement and Loan Obligation upon the delivery to the Trustee of (i) the Coverage Certificate and other instruments described in Section 5.10(b), provided that the substituted Loan or Loans shall be included in the calculations contained in the Coverage Certificate and (ii) confirmation from each Rating Agency that the proposed substitution will not result in a reduction or withdrawal of the then-applicable rating on the Bonds.

(d) No release under this Section 5.10 shall be effective unless the District shall first give at least 30 days advance written notice to the Rating Agency indicating the proposed effective date of such release and containing all of the information and supporting schedules described in (b) above. Such written notice shall be mailed to each Rating Agency at the address specified in Article XII.

(e) In the event that the District submits to the Trustee a Coverage Certificate which satisfies the requirements of Section 5.10(b) or (c) hereof and the District demonstrates its compliance with the notice provision of Section 5.10(d) hereof, then the Trustee shall execute a release and such other instruments as Bond Counsel for the District shall advise in writing as necessary in order to release from the lien of this Master Indenture the Loan Obligations, Loan Agreements and related rights of payment with respect to the Released Obligations.

Section 5.11 General Limitation. Notwithstanding any other provision of this Indenture, the following provisions shall govern the use and application of all funds and accounts under this Indenture, and if and to the extent these provisions conflict in any manner with any other express or implied provision of this Indenture, the provisions of this Section 5.11 shall prevail:

(a) Drinking Water Bonds shall be secured solely by the Funds and Accounts within the Drinking Water Program Subfund which are pledged pursuant to the Granting Clauses of this Indenture, including any amounts deposited into the Drinking Water Bond Fund as loan proceeds from the Clean Water Program Subfund.

(b) No assets of the Clean Water Program may be used to secure Drinking Water Bonds.

(c) Clean Water Bonds shall be secured solely by the Funds and Accounts within the Clean Water Program Subfund which are pledged pursuant to the Granting Clauses of this Indenture, including any amounts deposited into the Clean Water Bond Fund as loan proceeds from the Drinking Water Program Subfund.

(d) No assets of the Drinking Water Program may be used to secure Clean Water Bonds

Section 5.12 Transfers to Clean Water Program Subfund. In the event on any Bond Payment Date amounts available in the funds and accounts in the Clean Water Program Subfund are insufficient to pay any Clean Water Portion of principal of or interest on Bonds then due and payable, the Trustee shall transfer to the Clean Water Bond Fund, but only from the sources identified below in this Section 5.12, the amount of the deficiency. Funds to make a transfer to the Clean Water Bond Fund shall be taken from the following sources in the following order:

(a) First, from any funds on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount of the Drinking Water Revenue Fund to the extent necessary, with other funds available under Section 5.04(d) hereof, to pay the Leveraged Portion of the Clean Water portion of principal and interest on Bonds then due;

(b) Second, from the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Drinking Water Revenue Fund to the extent necessary, with other funds available under Section 5.04(e) hereof, to pay the State Match Portion of the Clean Water Portion of principal and interest on Bonds then due;

(c) Third, from Excess Drinking Water Unrestricted Revenues.

Section 5.13 Clean Water Program Subfund Reimbursement Obligation to Drinking Water Program Subfund. In the event funds are at any time transferred to the Clean Water Bond Fund from the Drinking Water Program Subfund pursuant to Section 5.12 hereof, the District shall have an obligation, subordinate to the payment of the Clean Water Portion of the principal and interest on the Bonds, to reimburse to the Drinking Water Program Subfund the amount so advanced either without interest or at such rate of interest as the District may from time to time determine. Such reimbursement shall be made only with funds on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount and Unrestricted Cumulative Excess Interest Repayments Subaccount of the Clean Water Revenue Fund and other Excess Clean Water Unrestricted Revenues.

Section 5.14 Other Transfers from Clean Water Program Subfund to Drinking Water Program Subfund. This section 5.14 is to implement Section 302 of the Drinking Water Act and any similar provision of any Relevant Federal Act, and applies to transfers permitted under this Section 5.14 notwithstanding any provision of this Indenture to the contrary. In addition to the transfers described in Sections 5.12, 5.13, 5.15 and 5.16, transfers to and from the Clean Water Program Subfund may be made with capitalization grant funds to the extent permitted by the Drinking Water Act or any other Relevant Federal Act. To the extent capitalization grant funds are transferred to the Drinking Water Program Subfund, the District may transfer from the State Match Loan Account of the Clean Water Loan Fund to the State Match Loan Account of the Drinking Water Loan Fund an amount which equals the amount previously deposited in the State Match Loan Account of the Clean Water Loan Fund in order to draw on the capitalization grant funds which were transferred to the Drinking Water Fund.

In addition, any balances retained in the Unrestricted Cumulative Excess Subaccount of the Unrestricted Interest Repayments Account and Restricted Cumulative Excess Principal Repayments Subaccount of the Restricted Principal Repayments Account of the Clean Water Revenue Fund, after making the transfers required by Section 5.04(d) or (e), may at the direction of the District be transferred to any Fund or Account under the Drinking Water Program Subfund; provided that (i) after giving effect to the transfer the coverage requirements specified in Section 2.11(c) are met for all outstanding Clean Water Bonds, and (ii) the transfer is within the limits and made in accordance with any procedures as may be provided in any Relevant Federal Act, Applicable EPA Agreement or otherwise authorized by the Environmental Protection Agency. All transfers described in this Section 5.14 made subsequent to September 1, 2000 are ratified and confirmed.

Section 5.15 Transfers to Drinking Water Program Subfund. In the event on any Bond Payment Date amounts available in the funds and accounts in the Drinking Water Program Subfund are insufficient to pay any Drinking Water Portion of principal of or interest on Bonds then due and payable, the Trustee shall transfer to the Drinking Water Bond Fund, but only from the sources identified below in this Section 5.15, the amount of the deficiency. Funds to make a transfer to the Drinking Water Bond Fund shall be taken from the following sources in the following order:

(a) First, from any funds on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount of the Clean Water Revenue Fund to the extent necessary, with other funds available under Section 5.04(h) hereof, to pay the Leveraged Portion of the Drinking Water portion of principal and interest on Bonds then due;

(b) Second, from the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Clean Water Revenue Fund to the extent necessary, with other funds available under Section 5.04(i) hereof, to pay the State Match Portion of the Drinking Water Portion of principal and interest on Bonds then due;

(c) Third, from Excess Clean Water Unrestricted Revenues.

Section 5.16 Drinking Water Program Subfund Reimbursement Obligation to Clean Water Program Subfund. In the event funds are at any time transferred to the Drinking Water Bond Fund from the Clean Water Program Subfund pursuant to Section 5.15 hereof, the District shall have an obligation, subordinate to the payment of the Drinking Water Portion of the principal and interest on the Bonds, to reimburse to the Clean Water Program Subfund the amount so advanced either without interest or at such rate of interest as the District may from time to time determine. Such reimbursement shall be made only with funds on deposit in the Restricted Cumulative Excess Principal Repayments Subaccount and Unrestricted Cumulative Excess Interest Repayments Subaccount of the Drinking Water Revenue Fund and other Excess Drinking Water Unrestricted Revenues.

Section 5.17 Other Transfers From Drinking Water Program Subfund to Clean Water Program Subfund. This section 5.17 is to implement Section 302 of the Drinking Water Act and any similar provision of a Relevant Federal Act, and applies to transfers permitted under this Section 5.17 notwithstanding any provision of this Indenture to the contrary. In addition to the transfers described in Sections 5.12, 5.13, 5.15 and 5.16, transfers to and from the Drinking Water Program Subfund may be made with capitalization grant funds to the extent permitted by the Drinking Water Act or any other Relevant Federal Act. To the extent capitalization grant funds are transferred to the Clean Water Program Subfund, the District may transfer from the State Match Loan Account of the Drinking Water Loan Fund to the State Match Loan Account of the Clean Water Loan Fund an amount which equals the amount previously deposited in the State Match Loan Account of the Drinking Water Loan Fund in order to draw on the capitalization grant funds which were transferred to the Clean Water Fund.

In addition, any balances retained in the Unrestricted Cumulative Excess Interest Repayments Subaccount of the Unrestricted Interest Repayments Account and Restricted Cumulative Excess Principal Repayments Subaccount of the Restricted Principal Repayments Account of the Drinking Water Revenue Fund, after making the transfers required by Section 5.04(h) or (i), may at the direction of the District be transferred to any Fund or Account under the Clean Water Program Subfund; provided that (i) after giving effect to the transfer the coverage requirements specified in Section 2.11(c) are met for all outstanding Drinking Water Bonds, and (ii) the transfer is within the limits and made in accordance with the procedures required by the Drinking Water Act or otherwise authorized by the Environmental Protection Agency. All transfers described in this Section 5.17 made subsequent to September 1, 2000 are ratified and confirmed.

ARTICLE VI

Particular Covenants of the District

The District covenants and agrees, so long as the Bonds shall be Outstanding and subject to the limitations on its obligations herein set forth, that:

Section 6.01 Payment of Bonds; Pledge of Other Funds. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and each Series Resolution and in each and every Bond executed, authenticated and delivered

hereunder; and will promptly pay, but only from the sources specified herein, the principal of, premium, if any, on and interest on every Bond issued hereunder on the dates, at the places and in the manner prescribed in the Bonds.

Section 6.02 Extensions of Payments of Bonds. It shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any of the claims for interest by the purchase or refunding of such Bonds or claims for interest or by any other arrangement; and in case the maturity of any of the Bonds, or the time for payment of any such claims for interest shall be extended, such Bonds and claims for interest shall not be entitled in case of any default hereunder to the benefit of the Indenture or to any payment out of any assets of the District or the funds (except funds held in trust by the Trustee for the payment of particular Bonds or claims for interest pursuant to this Indenture) held by the Trustee except subject to the prior payment of the principal of all Bonds issued and outstanding hereunder, the maturity of which Bonds or principal installments has not been extended, and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in this Section shall, however, be deemed to limit the right of the District to fund or refund at one time all of such Bonds and claims for interest.

Section 6.03 Authority of the District. It is duly authorized under the Constitution and Laws of the State of South Dakota to create and issue the Bonds, to execute this Indenture and assign and pledge to the Trustee the Trust Estate and to make the covenants as herein provided. All necessary action and proceedings on its part to be taken for the creation and issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken and the Bonds in the hands of Holders thereof are and will be valid and enforceable limited obligations of the District in accordance with their terms.

Section 6.04 Loans to Borrowers; Enforcement of Loan Obligations. All Loans to Borrowers with the proceeds of Bonds issued under this Indenture or from other funds in the Loan Fund shall be evidenced by Loan Obligations and accompanied by an approving legal opinion of a bond counsel (if the Borrower is a Political Subdivision) whose opinions are generally accepted by purchasers of municipal bonds or an opinion of such other counsel acceptable to the District (if the Borrower is not a Political Subdivision), together with such other opinions, certificates and documents required by the Act, including the opinion of the State Attorney General pursuant to §46A-1-51, SDCL, and the independent review by the Board of Water and Natural Resources pursuant to §46A-1-52, SDCL. The principal of and interest on the loans made and the Loan Obligations acquired in connection therewith shall be due and mature at the times and in the amounts and bear interest at the rates sufficient, with other available funds hereunder and amounts to be received under the Letter of Credit, to provide for payments, when due, of principal of and interest on the Bonds issued hereunder. The District shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Loan Obligations and all Loan Agreements with Borrowers relating thereto. The District shall not sell or otherwise dispose of any Loan Obligations unless prior thereto (a) the Board of Water and Natural Resources determines by resolution that such sale or other disposition will not adversely affect the payment of the principal of or interest on the Bonds when due and (b) the District shall have received an opinion

of Bond Counsel to the effect that such sale or other disposition will not adversely affect the tax exempt status of any Series of Bonds.

Section 6.05 Accounts and Reports. The District shall cause the Trustee to keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Loan Obligations, purchases and payments, costs and expenses of operation of the District and all Funds and Accounts and subaccounts established by this Indenture, or any Series Resolution, which shall at all reasonable times be subject to the inspection by the holders of an aggregate of not less than five per centum (5%) in principal amount of Bonds then outstanding or their representatives duly authorized in writing.

The District shall annually, on or before January 1 in each year, prepare and place on file a copy of an annual report for the preceding twelve-month period ended as of September 30, setting forth in reasonable detail:

(a) A schedule of Loan Obligations' payments, Loan Obligations, costs and expenses of operation and the status of the Reserve Fund and the Funds and Accounts established by this Indenture, or any Series Resolution; and

(b) A schedule of its Bonds outstanding under this Indenture at the end of such year, together with a statement of the amounts paid, redeemed and issued during such year.

The report shall also include statements as to a description of the nature of any defaults with respect to any of the Loan Obligations. A copy of each such annual report shall be mailed promptly thereafter by the District to each Bondholder who shall have filed his name and address with the District for such purpose.

Section 6.06 Restrictions on Purchase and Redemption of Bonds. The District will not redeem, purchase or direct the purchase or redemption by the Trustee of any Bonds in whole or in part at a cost or price (including any brokerage fee or commission and other charges) which (i) exceeds the Redemption Price then applicable on such Bonds plus accrued interest to the redemption date if such Bonds are then redeemable; or (ii) exceeds the Redemption Price of such Bonds on the date such Bonds are first redeemable at the option of the District, plus accrued interest to the date of redemption, if such Bonds are not then redeemable; or (iii) would adversely affect the ability of the District to pay any other Bonds of the same Series when due.

Section 6.07 Compliance With Relevant Federal Act. The District shall not cause or permit any funds received under the Letter of Credit or held in any of the Funds or Accounts established hereunder to be applied in a manner which is in violation of any provisions of the Drinking Water Act or the Clean Water Act.

Section 6.08 Prepayment of Loan Obligations

(a) The District may waive restrictions which prohibit prepayment of Loan Obligations allocable to each Program in an annual cumulative amount not exceeding the Annual Prepayment Amount in any Bond Year.

(b) In the event that the District determines it is necessary or appropriate to waive prepayment restrictions described in (a) in an amount which will exceed the Annual Prepayment Amount for a Program in a Bond 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 subsection (b), 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. 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) hereof to any Rating Agency then maintaining a rating with respect to any Outstanding Bonds.

(c) In the event that the District submits to the Trustee a Coverage Certificate which satisfies the requirements of Section 6.08(b) hereof, then the District may waive any such restrictions prohibiting prepayments of Loan Obligations and accept prepayments of the Loan Obligations described in Section 6.08(b)(1) hereof notwithstanding the fact that such prepayment will exceed the Annual Prepayment Amount. Nothing in this Section 6.08 shall restrict or otherwise condition the District's rights and powers to diligently enforce and take all reasonable steps, actions and proceeds as it may deem necessary or appropriate to enforce all Loan Obligations and Loan Agreements.

ARTICLE VII

Events of Default; Remedies on Default

Section 7.01 Events of Default. Each of the following events is hereby defined as, and is declared to be and to constitute, an "Event of Default":

(a) The District shall fail to pay any principal or the Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The District shall fail to pay any installment of interest on any Bond when and as the same shall become due and payable;

(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 the Total Reserve Requirement for such Reserve Fund 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 the 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 determined on any Valuation Date as required by Section 5.06 hereof either (i) the amounts on deposit in either Reserve Fund are at any time less than 90% of the Total Reserve Requirement for such Fund 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 the State Match Reserve Requirement for such Fund 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 this Indenture or any Series Resolution or in the Bonds, 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) The District shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

Section 7.02 Remedies and Enforcement of Remedies.

(a) 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 outstanding and with the consent of any Credit Enhancement Provider if required by any Series Resolution, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds and this Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Enforcement of the right of the Bondholders 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 this Indenture and any Series Resolution authorizing the issuance of Bonds 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;
- (iii) Civil action to require the District to account as if it were the trustee of an express trust for the Holders of Bonds;

- (iv) Civil action to enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of Bonds; and
- (v) Enforcement of any other right of the Bondholders conferred by law or by this Indenture.

(b) 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 then outstanding and with the consent of any Credit Enhancement Provider is required by any Series Resolution, 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 this Indenture by any acts that may be unlawful or in violation of this Indenture, or (ii) to preserve or protect the interests of the Bondholders, provided that such request is in accordance with the law and the provisions of this Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

Section 7.03 Application of Revenues and Other Moneys After Default.

(a) The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, shall pay or deliver or cause to be paid over or delivered to the Trustee (i) forthwith, all proceeds from the enforcement or collection of Loan Obligations, (ii) forthwith, all original documents and instruments relating to, securing or evidencing the Loan Obligations then held by the District, and any security therefor and (iii) as promptly as practicable after receipt thereof, all revenues and other payments or receipts pledged hereunder.

(b) During the continuance of an Event of Default, the Trustee shall, subject in all cases to the limitations described herein on the funds which may be used to pay principal and interest on the State Match Portion of the Bonds, apply such moneys, securities, revenues, payments and receipts and the income therefrom as follows and in the following order:

- (i) To the payment of the reasonable and proper expenses of the Trustee; and
- (ii) To the payment of the interest and principal or Redemption Price then due on the Bonds, as follows:

A. Unless the principal of all of the Bonds shall have become due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

B. If the principal of all of the Bonds shall have become due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(c) During the continuance of an Event of Default and after all obligations of the District to pay the principal of, Redemption Price, if any, and interest on the Bonds to the Holders thereof has been satisfied in full and all other amounts required to be paid have been so paid, the Trustee shall apply any remaining moneys, securities, revenues, payments and receipts and the income therefrom to the District.

Section 7.04 Right of Trustee to Act Without Possession of Bonds. All rights of action (including the right to file proof of claim) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Holders of the Bonds hereby secured, and any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds, subject to the provisions of Section 6.02 hereof with respect to extended Bonds claims for interest.

Section 7.05 Power of Majority of Bondholders. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Bonds outstanding hereunder shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken under this Indenture provided that such direction shall not be otherwise than in accordance with the provisions of law and that the Trustee shall be indemnified as provided in Section 8.06 hereof.

Section 7.06 Limitation on Suits by Bondholders. No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for any other remedy hereunder, unless a Default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such Default shall have become an Event of Default and the Holders of

twenty-five percent (25%) in aggregate principal amount of Bonds outstanding hereunder shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided hereinafter; and such notification, request and offer of indemnity are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for enforcement or for any other remedy hereunder; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever or to affect, disturb, or prejudice the lien of this Indenture by his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Holders of all Bonds outstanding hereunder. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder, which is absolute and unconditional, to enforce and bring suit for the payment of the principal of and interest on any Bond at and after the maturity thereof or the obligations of the District to pay the principal of and interest on each of the Bonds issued hereunder to the respective Holders thereof at the time and place in said Bonds expressed, in accordance with the terms of the Bonds.

Section 7.07 Waiver by Bondholders. The Trustee, upon the written request of the Holders of not less than a majority in principal amount of the Bonds at the time outstanding hereunder, shall waive any Default hereunder and its consequences, except a Default in the payment of the principal of the Bonds at the date of maturity specified therein; provided, however, that a Default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the District, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights hereunder respectively. No such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 7.08 Remedies Cumulative, Delay Not To Constitute Waiver. No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 7.09 Restoration of Rights Upon Discontinuance of Proceedings. In case the Trustee or Bondholders shall have instituted proceedings to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or Bondholders, then and in every such case the District, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee or Bondholders shall continue as if no such proceedings had been taken.

ARTICLE VIII

Concerning the Trustee

Section 8.01 Acceptance of Trust and Prudent Performance Thereof. The Trustee, prior to the occurrence of an Event of Default and after the curing of all such Events of Default as may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall during the existence of any such Event of Default (which has not been cured) exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall not be required to take notice or be deemed to have notice of any Default hereunder, except as provided in Section 8.01 hereof or unless the Trustee shall be specifically notified in writing of such Default by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds outstanding hereunder, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume that there is no Default, except as aforesaid.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(a) prior to such an Event of Default hereunder, and after the curing of all such Events of Default which may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee, and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the

Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture; and

(b) at all times, regardless of whether or not any such Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that notwithstanding the provisions of Section 8.02 hereof the Trustee was negligent in ascertaining the pertinent facts, and

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of all the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that Repayments of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 8.02 Trustee May Rely Upon Certain Documents and Opinions. Except as otherwise provided in Section 8.01,

(a) the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) the Trustee may rely and shall be protected in acting upon any request, direction, election, order, certification or demand of the District shall be sufficiently evidenced by an instrument signed by the Chairman or other authorized officer of the District, Board of Water and Natural Resources or Department, and any resolution of the District may be evidenced to the Trustee by a certified resolution;

(c) the Trustee may consult with counsel (who may be counsel for the District) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel; and

(d) whenever, in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate of the District and such certificate of

the District shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof.

Section 8.03 Trustee Not Responsible for Indenture Statements, Validity. The Trustee shall not be responsible for any recital or statement herein, or in the Bonds (except in respect of the certificate of the Trustee endorsed on such Bonds), or for the validity of the execution by the District of this Indenture or the validity or execution of the Series Resolution or of any supplemental instrument, or for the sufficiency of the security of the Bonds issued hereunder or intended to be secured hereby, or for the value or title of any of the Trust Estate, or otherwise as to the maintenance of the security hereof; and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenant, condition or agreement on the part of the District except as herein set forth, but the Trustee may require of the District full information and advice as to the performance of the covenants, conditions and agreements aforesaid and of the condition of the physical property included in the Trust Estate. The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder.

Section 8.04 Limits on Duties and Liabilities of Trustee. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty of the Trustee and the Trustee shall be answerable only for its own negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Section 8.05 Money Held in Trust. Money held by the Trustee hereunder is held in trust but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the District.

Section 8.06 Obligation of Trustee. The Trustee shall be under no obligation to institute any suit, or to take any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall have reasonable grounds for believing that repayment of all costs and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith and adequate indemnity against all risk and liability is reasonably assured to it; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee shall be reimbursed for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the District shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any of the Bonds outstanding hereunder.

Section 8.07 Notice to Bondholders. The Trustee shall give to the Holders of the Bonds written notice of all Defaults known to the Trustee by virtue of actual knowledge of a Vice

President or Trust Officer, within sixty (60) days after the occurrence of an Event of Default, unless such Default shall have been cured before the giving of such notice.

Section 8.08 Intervention in Judicial Proceedings. In any judicial proceeding to which the District is a party and which in the opinion of the Trustee has a substantial bearing on the interest of owners of Bonds issued hereunder, the Trustee may intervene on behalf of Bondholders and shall do so if requested by the owners of at least twenty-five percent (25%) in the aggregate principal amount of Bonds outstanding hereunder. The rights and obligations of the Trustee under this Section are subject to the approval of the court having jurisdiction in the premises.

Section 8.09 Further Investigation by Trustee. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be in full warrant, protection and authority to the Trustee for its actions hereunder; but the Trustee may, in its unrestricted discretion, and shall, if requested in writing so to do by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds outstanding hereunder, cause to be made such independent investigation as it may see fit, and in that event may decline to release any property, or pay over cash, or take other action unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of such investigation shall be paid by the District, or, if paid by the Trustee, shall be repaid to it with interest at a rate of interest equal to the interest rate publicly announced from time to time by the Trustee as its prime rate, by the District or from the Trust Estate.

Section 8.10 Trustee to Retain Financial Records. The Trustee shall retain all financial statements furnished by the District in accordance with this Indenture so long as any of the Bonds shall be outstanding.

Section 8.11 Compensation of Trustee. All advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trust hereby created and reasonable compensation to the Trustee for its services in the premises shall be paid by the District. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. If not paid by the District, the Trustee shall have a first lien on all sums held by it under the terms of this Indenture with right of payment prior to payment on account of interest or principal of any Bond issued hereunder, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts hereby created and exercise and performance of the powers and duties of the Trustee hereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee).

Section 8.12 Trustee May Hold Bonds. The Trustee and its officers and directors may acquire and hold, or become the pledgee of, Bonds and otherwise deal with the District in the same manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 8.13 Appointment of Trustee. There shall at all times be a trustee hereunder which shall be an association or corporation organized and doing business under the laws of the United States of America or any State thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifteen Million Dollars (\$15,000,000), and subject to supervision or examination by Federal or State authority. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.16 hereof.

Section 8.14 Merger of Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association, resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 8.15 Resignation or Removal of Trustee. The Trustee may resign and be discharged from the trusts created by this Indenture by giving to the District thirty days' notice in writing, and to the Bondholders notice by certified or registered mail addressed to each Bondholder at its or his address as set forth on the registration books, of such resignation, specifying a date when such resignation shall take effect. Such resignation shall take effect on the day specified in such notice, unless previously a successor trustee shall have been appointed by the Bondholders as hereinafter provided, in which event such resignation shall take effect immediately on the appointment of such successor trustee.

Any Trustee hereunder may be removed at any time by an instrument or instruments in writing, appointing a successor to the Trustee so removed, filed with the Trustee and executed by the Holders of a majority in principal amount of the Bonds hereby secured and then outstanding.

Section 8.16 Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee hereunder, and a successor may be appointed by the Holders of a majority in principal amount of the said Bonds hereby secured and then outstanding, by an instrument or instruments in writing filed with the Trustee and executed by such Bondholders, notification thereof being given to the District, but until a new Trustee shall be appointed by the Bondholders as herein authorized, the District shall, subject to the provisions hereof, appoint a Trustee to fill such vacancy. After any such

appointment by the District, it shall cause notice of such appointment to be mailed to the Bondholders within 30 days of such appointment, but any new Trustee so appointed by the District shall immediately and without further act be superseded by a Trustee appointed in the manner above provided by the Holders of a majority in principal amount of said Bonds whenever such appointment by said Bondholders shall be made.

If, in a proper case, no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within six months after a vacancy shall have occurred in the office of Trustee, the Holder of any Bond hereby secured or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor trustee.

Section 8.17 Transfer of Rights and Property To Successor Trustee. Every successor trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the District an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the District or of its successor execute and deliver an instrument transferring to such successor all the estate, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any assignment, conveyance or instrument in writing from the District be required by any successor trustee for more fully and certainly vesting in such successor trustee the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor trustee, any and all such assignments, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the District. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all assignments, conveyances and other instruments provided for in this Article shall, at the expense of the District, be forthwith filed and/or recorded by the successor trustee in each recording office where the Indenture shall have been filed and/or recorded.

Section 8.18 Co-Trustee.

(a) If, by any present or future law in any jurisdiction in which it may be necessary for the Trustee to perform any act in the execution of the trusts hereby created, as trustee, and the Trustee or its successor or successors, may be incompetent or unqualified to act as such Trustee, then an individual or other Co-Trustee may be appointed hereunder by the District, with full power and authority to perform all the acts required to be performed in such jurisdiction, to the extent of said disqualification, in the execution of the trusts hereby created, and such acts shall and will be performed by said Co-Trustee, or his successor or successors acting alone. The rights, powers and obligations of The First National Bank in Sioux Falls and its successors as Trustee hereunder shall inure to the benefit of and be binding on such Co-Trustee and his successors as Co-Trustee and, in that connection, each reference herein to the Trustee shall, unless the context otherwise requires, be deemed to refer as well to the Co-Trustee.

(b) Anything in the preceding paragraph to the contrary notwithstanding, the Co-Trustee and his successors shall act subject to the following conditions and provisions, namely:

(1) The Bonds shall be authenticated and delivered and all rights, powers, trusts, duties and obligations by this Indenture conferred upon the Trustee in respect of the custody, control or management of moneys, papers, securities and other personal property shall be exercised, solely by the Trustee.

(2) All rights, powers, trusts, duties and obligations conferred or imposed upon the Trustee hereunder shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and the Co-Trustee or by a separate trustee or separate trustees jointly, if so provided in any instrument appointing such Co-Trustee or separate trustee or trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts or incompetent to bring suit to enforce the terms hereof in which event such act or acts shall be performed by the Co-Trustee or separate trustee or trustees.

(3) Any request in writing by the Trustee to any Co-Trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by the Co-Trustee or separate trustee.

(4) Any Co-Trustee or separate trustee may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(5) The Trustee at any time, by an instrument in writing, with the concurrence of the District, may accept the resignation of or remove any Co-Trustee or separate trustee appointed under this Section and in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such Co-Trustee or separate trustee without the concurrence of the District. Upon the request of the Trustee, the District shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(6) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(7) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each such Co-Trustee or separate trustee.

(8) Any moneys, papers, securities or other items of personal property received by any such Co-Trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

(c) Any Co-Trustee shall be vested, jointly with the Trustee, with title to the Trust Estate and with the rights, powers and duties herein provided. Upon the acceptance in writing of

such appointment by the Co-Trustee or any separate trustee, it or he shall be vested with such title to the Trust Estate or any part thereof, and with such rights, powers, duties and obligations, as shall be specified in any instrument of appointment jointly with the Trustee (except insofar as local law makes it necessary for any such Co-Trustee or separate trustee to act alone) subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee. Any Co-Trustee or separate trustee may, at any time by an instrument in writing, constitute the Trustee, its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any Co-Trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the Trust Estate, and all rights, powers, trusts, duties and obligations of said Co-Trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor Co-Trustee or separate Trustee shall be appointed in the manner herein provided.

ARTICLE IX

Concerning the Bondholders

Section 9.01 Execution of Instruments by Bondholders. Any request, direction, consent or other instrument in writing required by this Indenture to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent duly appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the person signing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of this Indenture.

Nothing contained in this Article shall be construed as limiting the Trustee to the proof above specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient.

Section 9.02 Waiver of Notice. Any notice or other communication required by this Indenture to be given by delivery, publication or otherwise to the Bondholders or any one or more thereof may be waived, at any time before such notice or communication is so required to be given, by a writing mailed or delivered to the Trustee by the Holder or Holders of all of the Bonds entitled to such notice or communication.

Section 9.03 Determination of Bondholder Concurrence. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the District shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control with the District. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 9.04 Bondholders' Meeting. A meeting of the Bondholders may be called at any time and from time to time for any of the following purposes:

- (1) to give any notice to the District or to the Trustee, or to give any direction to the Trustee, or to make any request of the Trustee, or to consent to the waiving of any Default hereunder and its consequences, or to take any other action authorized to be taken by Bondholders pursuant to any of the provisions of Article VII hereof;
- (2) to remove the Trustee or appoint a successor Trustee pursuant to the provisions of Article VIII hereof;
- (3) subject to Article XI hereof, to consent to the execution of an indenture or indentures supplemental hereto; or
- (4) to take any other action authorized to be taken by or on behalf of the Holders of any percentage of the outstanding Bonds under any other provisions of this Indenture or under applicable law.

Any Bondholders' meeting may be called and held as follows:

(a) A meeting of Bondholders may be held at such place within the city where the Trustee has its principal office as the Trustee or, in case of its failure to act, as the District or Bondholders calling the meeting shall prescribe.

(b) Notice of every meeting of Bondholders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting shall be mailed, postage prepaid, by the Trustee to each owner of Bonds at least 20 days prior to the meeting

(c) In case at any time the District, pursuant to a Certified Resolution, or the Holders of at least ten percent (10%) in aggregate principal amount of the Bonds then outstanding, shall have requested the Trustee to call a meeting of the Bondholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first giving of the notice of such meeting within 20 days after receipt of such request, then the District or the Holders of Bonds in the amount above specified may call such meeting to

take any action authorized in this Section by giving notice thereof as provided in paragraph (b) of this Section.

(d) Only a Holder of one or more Bonds or a person appointed as proxy by an instrument in writing of such Holder shall be entitled to vote at or to participate with its counsel and the representatives of the Trustee or the District in such meeting. Each Holder shall be entitled to one vote for each \$1,000 in principal amount of outstanding Bonds held.

(e) The Trustee or, in case of its failure to act, the District or Bondholders calling or requesting the meeting, may make such reasonable regulations as it may deem advisable for any meeting of Bondholders in regard to proof of the holding of Bonds and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

(f) At any meeting of Bondholders, the presence of persons holding or representing Bonds in an aggregate principal amount sufficient under the appropriate provision of this Indenture to take action upon the business for the transaction of which such meeting was called shall constitute a quorum. Any meeting of Bondholders duly called pursuant to this Section may be adjourned from time to time by vote of the Holders (or proxies for the Holders) of a majority of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present; and the meeting may be held as so adjourned without further notice.

(g) The vote upon any resolution submitted to any meeting of Bondholders shall be by written ballots on which shall be subscribed the signatures of the Holders of Bonds or of their representatives by proxy and the serial number or numbers of the Bonds held or represented by them. The chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate, of the proceedings of each meeting of Bondholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was published or mailed as provided in paragraph (b) hereof. Each copy shall be signed and verified by the affidavits of the chairman and secretary of the meeting and one such copy shall be delivered to the District and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Section 9.05 Revocation by Bondholders. At any time prior to (but not after) the evidencing to the Trustee of the taking of any action by the Holders of the percentage in aggregate principal amount of the Bonds specified in this Indenture in connection with such action, any Holder of a Bond may, by filing written notice with the Trustee at its principal office, revoke any consent given by such Holder or the predecessor Holder of such Bond. Except as aforesaid, any such consent given by the Holder of any Bond shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Bond and of any Bond issued

in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Bond. Any action taken by the Holders of the percentage in aggregate principal amount of the Bonds specified in this Indenture in connection with such action shall be conclusively binding upon the District, the Trustee and the Holders of all the Bonds.

ARTICLE X

Payment, Defeasance and Release

Section 10.01 Payment and Discharge of Indenture. If the District shall

(a) pay or cause to be paid the principal of and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and herein, or

(b) provide for the payment of principal and premium, if any, of the Bonds and interest thereon by depositing with the Trustee at or at any time before maturity funds sufficient either in cash or in direct obligations of (or, if permitted by the Act, obligations the principal of and interest on which is fully guaranteed by) the United States of America the principal and interest on which when due and payable (or redeemable at the option of the holder thereof) and without consideration of any reinvestment thereof shall be sufficient to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the outstanding callable Bonds not surrendered or to be surrendered to it for cancellation has been given or waived as provided in Article III hereof, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the District under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the District, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all of such outstanding Bonds, and in any such case, deposit with the Trustee funds before the date on which such Bonds are to be redeemed, as provided in said Article III, constituting the entire amount of the redemption price, including accrued interest, and premium, if any, either in cash or direct obligations of or obligations the principal of and interest on which is fully guaranteed by the United States of America (which do not permit the redemption thereof at the option of the issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such redemption price on the date such Bonds are to be redeemed, and on such prior dates when principal of and interest on the outstanding Bonds is due and payable, or

(d) surrender to the Trustee for cancellation all Bonds, for which payment is not so provided, and shall also pay all other sums due and payable hereunder by the District,

then and in that case, all the Trust Estate shall revert to the District, and the entire estate, right, title and interest of the Trustee and of the owners of the Bonds shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds for the

payment of which cash or securities shall not have been deposited in accordance with the provisions of this Indenture, shall, upon receipt of a written request of the District and of a certificate of the District and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the District, or its order, proper instruments acknowledging satisfaction of this Indenture and surrender to the District all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds), which shall then be held hereunder as a part of the Trust Estate.

Section 10.02 Bonds Deemed Not Outstanding After Deposits. When there shall have been deposited at any time with the Trustee in trust for the purpose of payment or redemption of Bonds, cash or direct obligations of or obligations fully guaranteed by the United States of America the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due dates for such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of this Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding hereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Holders of such Bonds and from and after such date, redemption date or maturity, interest on such Bonds thereof called for redemption shall cease to accrue.

Section 10.03 Unclaimed Money to be Returned. Any moneys deposited with the Trustee pursuant to the terms of this Indenture, for the payment or redemption of Bonds and remaining unclaimed by the Holders of the Bonds on the date fixed for redemption of the same, as the case may be, for a period of five years after the due date, shall, upon the written request of the District, and if the District or any successor to the obligations of the District under the Indenture and the Bonds shall not at the time, to the knowledge of the Trustee, be in default with respect to any of the terms and conditions contained in the Indenture or in the Bonds be paid to the District, and such Holders of the Bonds shall thereafter look only to the District for payment and then only to the extent of the amounts so received without interest thereon; PROVIDED, HOWEVER, that within thirty days prior to the expiration of the five year period mentioned above, the Trustee, before being required to make any such repayment, may, at the expense of the District, cause to be published in such manner as it deems appropriate a notice that after a date named therein said moneys will be returned to the District.

ARTICLE XI

Supplemental Indentures

Section 11.01 Purposes for Which Supplemental Indentures May be Executed. The District and the Trustee from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable without the consent of any Bondholder for any one or more of the following purposes:

(a) To correct the description of any property hereby pledged or intended so to be, or to assign, convey, pledge or transfer and set over unto the Trustee, subject to such liens or other encumbrances as shall be therein specifically described, additional property or properties of the District for the equal and proportional benefit and security of the owners of all Bonds at any time issued and outstanding under this Indenture, subject, however, to the provisions hereinabove set forth with respect to extended Bonds;

(b) To add to the covenants and agreements of the District in this Indenture contained other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the District or to or upon any successor;

(c) To evidence the succession or successive successions of any other department, agency, body or corporation to the District and the assumption by such successor of the covenants, agreements and obligations of the District in the Bonds hereby secured and in this Indenture and in any and every supplemental indenture contained or the succession, removal or appointment of any trustee hereunder;

(d) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indentures which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture or any supplemental indenture as the District may deem necessary or desirable and which shall not be inconsistent with the provisions of this Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) To modify, eliminate and/or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar Federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939;

(f) To provide for the enforcement, modification, sale or other disposition of any Loan Obligations held or to be acquired by the District or any investments of moneys of the District which the Board of Water and Natural Resources expressly finds is necessary or desirable in the best interests of the Holders of Bonds;

(g) To provide for the issuance of additional Bonds of the District;

(h) To enter into one or more supplemental indentures that, when effective, would amend or modify any provisions of this Indenture if, in the judgment of an Authorized Representative, the rating then in effect on any Outstanding Bonds from each Rating Agency immediately preceding the time such supplemental indenture becomes effective will be maintained or improved after such supplemental indenture becomes effective. For the purposes of this subsection, the Authorized Representative must certify its judgment to the Trustee, and such judgment will be based upon the written ratings report or other written evidence provided

by each Rating Agency. In addition, each rating will be defined by reference only to the major letter category and any plus (+) or minus (-) designation or similar numerical designation (and without any further designation within a rating category whether now or hereafter used by a Rating Agency);

(i) Except for supplemental indentures requiring the consent of Bondholders the Trustee and the District may, without the consent of any of the Bondholders, enter into any other supplemental indenture or indentures amending, restating or supplementing the Indenture;

(j) To provide new or additional accounting requirements or provisions for operation of the District which do not substantially affect the rights of holders of Bonds of the District;

(k) To comply with any provision of the Internal Revenue Code or regulations thereunder, now or hereafter in effect, relating to arbitrage bonds or, in general, imposing conditions on the exemption of interest received, by the holders thereof, on bonds issued by a state or political subdivision or agency thereof;

(l) To amend the terms hereof in a manner applicable only to Bonds issued subsequent to such amendment and not affecting Bonds previously issued and outstanding; and

(m) To make such other modifications or amendments which are determined by the Trustee not to be of material prejudice to the rights of the Trustee or the Holders of the Bonds.

Section 11.02 Execution of Supplemental Indenture. The Trustee is authorized to join with the District in the execution of any such supplemental indenture, to make the further agreements and stipulations which may be therein contained, and accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture.

Section 11.03 Discretion of Trustee. In each and every case provided for in this Article (other than a supplemental indenture approved by the Holders of a majority in aggregate principal amount of the Bonds pursuant to Section 11.04 hereof), the Trustee shall be entitled to exercise its unrestricted discretion in determining whether or not any proposed supplemental indenture or any term or provisions therein contained is necessary or desirable, having in view the needs of the District and the respective rights and interests of the Holders of Bonds theretofore issued hereunder; and the Trustee shall be under no responsibility or liability to the District or to any Holder of any Bond, or to anyone whatever, for any act or thing which it may do or decline to do in good faith subject to the provisions of this Article, in the exercise of such discretion.

Section 11.04 Modification of Indenture with Consent of Bondholders. Subject to the terms and provisions contained in this Section, the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding and affected thereby shall have the right, from time to time, to consent to and approve the execution by the District and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by

the District for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; PROVIDED, HOWEVER, that nothing herein contained shall permit or be construed as permitting, without the consent of the Holders of all outstanding Bonds affected thereby, (a) an extension of the maturity of any Bond issued hereunder or any installment of interest thereon, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to the lien or pledge created by this Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required to consent to supplemental indentures or (f) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default. Whenever the District shall deliver to the Trustee a resolution of Bondholders adopted at a Bondholders' meeting approved by, or an instrument or instruments purporting to be executed by, the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, which resolution or instrument or instruments shall refer to the proposed supplemental indenture and shall specifically consent to and approve the execution thereof, thereupon, the District and the Trustee may execute such supplemental indenture without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds outstanding at the time of the execution of such supplemental indenture and affected thereby shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to the execution of such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the District from executing the same or from taking any action pursuant to the provisions thereof.

For the purposes of this Section 11.04, if any Series of Bonds is secured by Credit Enhancement, the consent otherwise required under this Section of Bondholders may be satisfied by the written consent of the issuer of such Credit Enhancement if so provided in the Series Resolution with respect to such Series and no consents shall be required from the Holders of Bonds of such Series.

For purposes of this Section 11.04, Bonds shall be deemed "affected" by any amendment or modification which adversely affects or diminishes the right of the Holders thereof against the District or the Funds and Accounts established hereunder. The Trustee shall, based on such certificates and opinions of counsel as it deems appropriate, determine the Holders of Bonds affected by any amendment or modification.

Any Series Resolution may provide that, so long as any Credit Enhancement remains in full force and effect and the Credit Enhancement Provider is not in default on its obligations thereunder, any consents otherwise required from Holders of a Series of Bonds under this Section 11.04 (other than for the purposes described in clauses (a) through (f), inclusive of the proviso in the first paragraph of this Section 11.04), may be satisfied by obtaining the written consent of the Credit Enhancement Provider with respect to such Series of Bonds.

Section 11.05 Supplemental Indentures to be Part of Indenture. Any supplemental indenture executed in accordance with any of the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such supplemental indenture as to any provisions authorized to be contained therein shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes, and the respective rights, duties and obligations under this Indenture of the District, the Trustee and all Holders of Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. If deemed necessary or desirable by the Trustee, reference to any such supplemental indenture or any of such terms or conditions thereof may be set forth in reasonable and customary manner in the text of the Bonds or in a legend stamped on the Bonds.

Section 11.06 Majority Requirement Shall Be Superseded Until Effective Date. Until the Effective Date, the requirement for approval by the Holders of a majority in aggregate principal amount of Bonds as set forth in Sections 11.03 and 11.04 hereof shall be deemed to require approval by the Holders of no less than sixty-six and two-thirds percent (66 2/3 %) in aggregate principal amount of Outstanding Bonds.

ARTICLE XII

Miscellaneous

Section 12.01 Execution of Indenture in Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

Section 12.02 Headings Not Controlling. The headings of the several Articles and Sections hereof are inserted for the convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 12.03 Notices to Trustee and District. Any request, demand, authorization, direction, notice, consent of Bondholders or other document provided or permitted by this Indenture shall be sufficient for any purpose under this Indenture, when mailed registered or certified mail, return receipt requested, postage prepaid (except as otherwise provided in this Indenture) (with a copy to the other parties) at the following addresses (or such other address as may be provided by any party by notice) and shall be deemed to be effective upon receipt:

To the District - South Dakota Conservancy District
c/o South Dakota Department of Environment
and Natural Resources —SRF Program
Joe Foss Building
523 East Capitol Avenue
Pierre, South Dakota 57501
Attention: SRF Section
Telephone: (605) 773-5559
Telecopy: (605) 773-6035

To the Trustee - The First National Bank in Sioux Falls
Post Office Box 5186
100 South Phillips
Sioux Falls, South Dakota 57117-5186
Attention: Corporate Trust Department
Telephone: (605) 335-5180
Telecopy: (605) 357-7666

To each Rating Agency - Moody's Investor's Service, Inc.
99 Church Street
New York, New York 10007
Attention: Public Finance Group
Telephone: (212) 553-3604

and

Standard & Poors
a Division of the McGraw-Hill Companies, Inc.
55 Water Street
New York, New York 10041
Attention: Public Finance Group
Telephone: (212) 438-2066

IN WITNESS WHEREOF, the District, by the Board of Water and Natural Resources, has caused this Indenture to be signed in its name by the Chairman and the corporate seal of the District has been hereunto affixed, and The First National Bank in Sioux Falls, as Trustee, to evidence its acceptance of the trust hereby created, has caused this Indenture to be signed in the name of the Trustee by an authorized officer of the Trustee, as of the day and year first above written.

SOUTH DAKOTA CONSERVANCY DISTRICT

By: _____
Chairman

(Seal)

THE FIRST NATIONAL BANK IN SIOUX
FALLS

By: _____
Its: _____

CONSENT OF AMBAC ASSURANCE CORPORATION

The undersigned, AMBAC ASSURANCE CORPORATION, as issuer of a bond insurance policy with respect to:

(1) (a) \$6,450,000 South Dakota Conservancy District Drinking Water State Revolving Fund Program Bonds, Series 1998, of which there are currently \$5,805,000 Series 1998 Bonds outstanding (Ambac Policy #15276BE) and (b) \$5,575,000 South Dakota Conservancy District Drinking Water State Revolving Fund Program Bonds, Series 2001, of which there are currently \$5,100,000 Series 2001 Bonds outstanding (Ambac Policy #18716BE) issued and outstanding under that certain Master Trust Indenture dated as of June 1, 1998 relating to the South Dakota State Revolving Fund Drinking Water Program (as heretofore amended or supplemented the "DW Indenture") between the District and The First National Bank in Sioux Falls, as Trustee (the "DW Trustee"); and

(2) \$4,405,000 South Dakota Conservancy District Clean Water State Revolving Fund Program Bonds, Series 2001, of which there are currently \$4,265,000 Series 2001 Bonds outstanding (Ambac Policy #18717BE) issued and outstanding under that certain Master Trust Indenture dated as of January 1, 1994 relating to the South Dakota State Revolving Fund Clean Water Program (as heretofore amended or supplemented, the "CW Indenture") between the South Dakota Conservancy District (the "District"), and The First National Bank in Sioux Falls, as Trustee (the "CW Trustee"),

hereby consents, pursuant to Section 6.03 of each Series Resolution relating to each such Series of Bonds and Section 11.01 of the CW Indenture and DW Indenture, respectively, to the amendment and restatement of the CW Indenture and DW Indenture, respectively, by the execution and delivery of the Amended and Restated Master Trust Indenture dated as of July 1, 2004 between the South Dakota Conservancy District and The First National Bank in Sioux Falls, and hereby waives any requirements with respect to notice in connection with the execution and delivery of the Amended and Restated Master Trust Indenture.

Dated this ____ day of June, 2004.

AMBAC ASSURANCE CORPORATION

By: _____
Its: _____

CONSENT OF THE FIRST NATIONAL BANK IN SIOUX FALLS

The undersigned, THE FIRST NATIONAL BANK IN SIOUX FALLS, as Trustee under (a) that certain Master Trust Indenture dated as of January 1, 1994 relating to the South Dakota State Revolving Fund Clean Water Program (as heretofore amended or supplemented, the "CW Indenture") between the South Dakota Conservancy District (the "District"), and The First National Bank in Sioux Falls, as Trustee (the "CW Trustee") and (b) that certain Master Trust Indenture dated as of June 1, 1998 relating to the South Dakota State Revolving Fund Drinking Water Program (as heretofore amended or supplemented the "DW Indenture") between the District and The First National Bank in Sioux Falls, as Trustee (the "DW Trustee"), hereby consents to the execution and delivery of the attached Amended and Restated Master Trust Indenture dated as of July 1, 2004, and to the amendments and supplemental provisions contained therein with respect to the CW Indenture and the DW Indenture, and hereby waives any requirements with respect to notice in connection with the execution and delivery of such Amended and Restated Master Trust Indenture.

Dated this _____ day of July, 2004.

THE FIRST NATIONAL BANK IN SIOUX
FALLS, as CW Trustee and as DW Trustee
(above defined)

By: _____
Vice President and Trust Officer