



**Papio-Missouri River Natural Resources District
Board of Directors Meeting
Suggested Resolutions/Recommendations
October 13, 2016**

***Agenda Item 4 - Agenda**

BE IT RESOLVED that the agenda be adopted.

***Agenda Item 5 – Consent Agenda**

BE IT RESOLVED that the following resolutions on the consent agenda are hereby adopted.

Agenda Item 3.A.

BE IT RESOLVED that the absences of the following Director(s) from the October 13, 2016, Board of Director Meeting are excused:

None to date.

Agenda Item 7.A. and 7.B.

BE IT RESOLVED that the September 8, 2016, Papio-Missouri River NRD Board Meeting minutes and the September 14, 2016, Dakota County Rural Water Advisory Board Meeting minutes are approved as printed.

***Agenda Item 10. – Washington County Rural Water System Lakeland Connection Project – SRF Loan**

Recommendation that the General Manager be authorized to execute a Nebraska SRF Loan in an amount not-to-exceed \$350,000, and that the following Resolution be adopted:

**RESOLUTION AUTHORIZING ISSUANCE OF SERIES 2016B BOND
(NDEQ LOAN AGREEMENT AND PROMISSORY NOTE)**

BE IT RESOLVED by the Board of Directors (the “Board”) of the Papio-Missouri River Natural Resources District, in the State of Nebraska (the “District”), as follows:

Section 1. Findings and Determinations. The Board hereby finds and determines as follows:

(a) pursuant to Sections 2-3252 to 2-3255, R.R.S. Neb., as amended, the District previously established improvement project areas designated Washington County Rural Water Project No. 1 (“WC Project No. 1”) and Washington County Rural Water Project No. 2 (“WC Project No. 2”) to serve portions of Washington County; and

(b) the District has constructed rural water system improvements to serve WC Project No. 1 (such improvements, as presently existing and all additions, extensions and improvements thereto hereafter constructed by the District to serve WC Project No. 1 and for which revenue bonds may be issued under the terms of Section 2-3226, R.R.S. Neb., as amended [the “Act”] being herein referred to and collectively designated as the “WC1 Water System”), and has constructed rural water system improvements to serve WC Project No. 2 (such improvements, as presently existing and all additions, extensions and improvements thereto hereafter constructed by the District to serve WC Project No. 2 and for which revenue bonds may be issued under the terms of the Act, being herein referred to and collectively designated as the “WC2 Water System”); and

(c) the District has taken actions to extend the boundaries of both the WC1 Water System and the WC2 Water System and to effect a financial merger of the WC1 Water System and the WC2 Water System into a combined service area (together, the “Water System”); and

(d) the Water System constitutes and is determined to be a revenue producing facility for which revenue bonds may be issued under the terms of the Act; and

(e) to effect the refunding and redemption of certain outstanding bonds of the District for which the revenues of portions of the Water System have been pledged, the District intends to issue contemporaneously with the issuance of the 2016B Bond herein authorized its Water System Revenue Refunding Bonds, Series 2016A (the “2016A Bonds”), which are to be secured by a lien upon and secured by a pledge of the revenues of the Water System on an equal and ratable basis as the 2016B Bond authorized herein; and

(f) the Nebraska Department of Environmental Quality (“NDEQ”) has approved a project designated as “NDEQ Project No. D311614” relating to:

(i) the acquisition, construction, improvement, repair, rehabilitation or extension of the District’s Water System consisting of eligible costs associated with the extension of approximately 5,525 feet of new 10 inch water main; new appurtenances; all related work, testing, assessment and engineering fees; and related projects, for which the estimated costs are not expected to exceed \$168,000 (collectively, the “2016 Project”), and

(ii) the refinancing of certain improvements to the Water System (the “County Project”) previously constructed by the District and funded by Washington County, Nebraska (the “County”) through the advance of certain funds outstanding

in the approximate principal amount of \$182,000 (the "County Obligation"), which the District agreed to repay through periodic fees or otherwise;

for which the aggregate estimated total cost is not less than \$350,000 and NDEQ has agreed to lend the District funds in such amount (the "Loan") and in such connection has agreed to accept the Note (in such amount and as defined below) payable from the revenues of the Water System; in connection with the Loan it will be necessary for the District to approve, execute and deliver an agreement entitled "Loan Agreement (Governmental Borrower) between the Nebraska Department of Environmental Quality and Papio-Missouri River Natural Resources District, Washington County Rural Water System #2 Project, Washington County, Nebraska, NDEQ Project No. D311614" (the "Loan Agreement") and it is necessary and advisable for the District to approve the execution and delivery of said Loan Agreement and the "Note" as described therein (for the borrowed amount of up to \$350,000, which Note shall evidence, be and constitute the Note as herein authorized); and

(g) to satisfy the borrowing requirements described in this Section 1, it is necessary for the District to issue its Water System Revenue Bond, Series 2016B, in the total principal amount of up to \$350,000 (referred to herein as the "Note" or the 2016B Bond") pursuant to Section 2-3226 R.R.S. Neb. 2012, as amended; and

(h) at the time of issuance of the 2016B Bond and the 2016A Bonds, the 2016B Bonds and 2016A Bonds will be the only then-outstanding indebtedness of the District for which the revenues of the Water System have been pledged (subject to the right of the District to issue Additional Bonds and junior lien indebtedness as described in this Resolution); and

(i) all conditions, acts and things required by law to exist or to be done precedent to the issuance of the 2016B Bond as provided for in this Resolution do exist and have been done in regular and due form and time as required by law.

Section 2. Defined Terms. In addition to the definitions provided in parentheses elsewhere in this Resolution, the following definitions of terms shall apply, unless the context shall clearly indicate otherwise:

(a) The term "Additional Bonds" shall mean any and all bonds hereafter issued by the District pursuant to the terms of this Resolution which are equal in lien to the Note and the 2016A Bonds, including all such bonds issued pursuant to Section 10 and refunding bonds issued pursuant to Section 11.

(b) The term "Average Annual Debt Service Requirements" shall mean that number computed by adding all of the principal and interest due when computed to the absolute maturity of the bonds for which such computation is required and dividing by the number of years remaining that the longest bond of any issue for which such computation is required has to run to maturity. In making such computation, (i) the principal of any bonds for which mandatory redemptions are scheduled shall be treated as maturing in accordance with such schedule of mandatory redemptions and (ii) the principal of the final

maturity of any bonds for which a sub-account has been established in the Debt Service Reserve Account shall be treated as reduced by the amount required to be held in such sub-account, so long as the amounts in such sub-account are required to be applied to payment of the final principal maturity of such bonds at maturity.

(c) The term “Deposit Securities” shall mean obligations of the United States of America, direct or unconditionally guaranteed, including any such obligations issued in book entry form.

(d) The term “Net Revenues” shall mean the revenues (as defined below), not including any income from the sale or other disposition of any property belonging to or forming a part of the Water System, less the ordinary expenses for operating and maintaining the Water System payable from the Operation and Maintenance Account described in Section 8 of this Resolution. Operation and Maintenance expenses for purposes of determining “Net Revenues” shall not include depreciation, amortization of financing expenses or interest on any bonds or other indebtedness. Net Revenues for all purposes of this Resolution shall be shown by an audit for the fiscal year in question as conducted by an independent certified public accountant or firm of such accountants, provided that if (a) such audit has not yet been completed and (b) a period of not more than 120 days have elapsed from the ending date of such fiscal year, then the Net Revenues may be shown by the audit report for the fiscal year immediately preceding the fiscal year in question and confirmation given by the District’s Treasurer that the unaudited information then available to the District for the fiscal year in question, if used as the basis for determining Net Revenues, would not result in a showing of Net Revenues insufficient to meet the test or tests for which Net Revenues are being determined.

(e) The term “revenues” shall mean all of the rates, rentals, fees and charges, earnings and other monies, including investment income, from any source derived by the District through its ownership and operation of the Water System, including any and all payments to be received by the District for such system under the terms of interlocal agreements related thereto.

Section 3. Authorization of Loan Agreement and Note.

(a) The District shall enter into the Loan Agreement in substantially the form set forth in Exhibit A to this Resolution, which exhibit is by such reference incorporated herein as if fully set forth.

(b) To provide for paying the costs of the 2016 Project and satisfaction of the County Obligation as described in Section 1 hereof, and to pay certain associated costs, there shall be and there is hereby ordered issued the District’s Water System Revenue Bond, Series 2016B, in the form of a single promissory note (referred to in this Resolution sometimes as the “Note” or the “2016B Bond”) in the principal amount not to exceed \$350,000, with such Note to be in substantially the form and to have such payment terms as are set forth in Attachment F to the Loan Agreement and are otherwise agreed to and set forth in the final form of the Note, which exhibit is by such reference incorporated herein as

if fully set forth. For all purposes of this Resolution, the Note shall constitute a revenue bond of the District as authorized by Section 2-3226 R.R.S. Neb. 2012, as amended, and shall be included within the terms “bond” where such inclusion is appropriate.

(c) The Note and the Loan Agreement are hereby approved and the Chairperson, Vice Chairperson, Treasurer and/or General Manager of the District, or any other officer designated by one of such officers (each, an "Authorized Officer") are each hereby authorized to finalize the terms thereof and to execute and deliver the Note and the Loan Agreement with such changes from the forms presented and attached hereto as such officers shall deem appropriate for and on behalf of the District; provided however that the principal amount of the Note shall not exceed the amount set out in Section 3(b), the per annum rate of interest attributable to the Note shall not exceed 2.0%, administrative fees payable to NDEQ shall not exceed 0.75% per annum, and the longest maturity of the Note shall not be longer than November 10, 2039.

(d) Each Authorized Officer is hereby authorized to negotiate, execute and deliver the Loan Agreement and the Note and are further authorized to take such further actions and to execute such certificates and other documents as shall be deemed necessary or appropriate by any of them in connection with the issuance and delivery of the Note and the Loan Agreement.

Section 4. Certification of Transcripts. The Secretary shall make and certify in counterpart transcripts of the proceedings of the Chairperson and Board with respect to the Loan Agreement and the Note, one of which shall be retained on file with the Secretary.

Section 5. Water System Revenue Pledge. For the payment of the 2016B Bond, both principal and interest, the District hereby pledges, hypothecates and grants a security interest in the entire revenues and earnings of the Water System as a first and prior pledge and encumbrance of such revenues, in accordance with the terms of this Resolution, such pledge, hypothecation and security interest being on an equal and ratable basis with the 2016A Bonds and any Additional Bonds issued from time to time as described in this Resolution. The pledge and hypothecation provided for the Bonds in this Resolution is intended to be and shall provide for a first and prior pledge and lien upon and security interest in the revenues of the Water System superior to any pledge, lien or security interest made or given with respect to any other indebtedness of the District as to its Water System (other than the 2016A Bonds and any such Additional Bonds) and is intended as a full exercise of the powers of the District provided for in the Act, as now or hereafter amended, with respect to the District's Water System and the revenues and earnings thereof. The 2016B Bond is a lien only upon said revenues and earnings and are not general obligations of the District, nor is the 2016B Bond supported in any way by taxation.

Section 6. Use of Proceeds. The proceeds of the 2016B Bond shall be applied on proper order of the District to pay costs of the 2016 Project and to satisfy the County Obligation. Proceeds may also be used to pay certain costs of issuance as determined by an Authorized Officer.

Section 7. Covenant to Establish and Collect Rates and Charges. The District hereby agrees that it will impose and maintain and shall revise from time to time when necessary and shall

collect such rentals, rates, fees and charges for the use and services of the Water System which shall be sufficient at all times to produce revenues and earnings sufficient at all times to provide for the payment of interest on and principal of the Bonds, the 2016A Bonds and any Additional Bonds as such interest and principal become due, to pay all reasonable costs of operation and maintenance of the Water System, including adequate insurance as provided by this Resolution and to pay for the necessary and reasonable repairs, replacements and extensions of said Water System, and to otherwise satisfy the requirements of the Loan Agreement.

Section 8. Funds and Accounts. In connection with the pledge of the revenues and earnings of the Water System for the payment of principal of and interest on the Bonds, the 2016A Bonds and any Additional Bonds, the District does hereby agree with the holders of said 2016B Bond as follows:

(a) WATER SYSTEM FUND - The entire gross revenues and income derived from the operation of the Water System shall be set aside as collected and deposited in a separate fund which is hereby ordered established and designated as the “Water System Fund.” For purposes of allocating the monies in the Water System Fund, the District shall maintain the following accounts (by the terms of this Resolution directed to be established): (1) Operation and Maintenance Account; (2) Bond Payment Account; (3) Debt Service Reserve Account; and (4) Retained Revenues Account.

(b) OPERATION AND MAINTENANCE ACCOUNT - Out of the Water System Fund there shall be monthly credited into the Operation and Maintenance Account such amounts as the District shall from time to time determine to be necessary to pay the reasonable and necessary expenses of operating and maintaining the Water System, and the District may withdraw funds credited to the Operation and Maintenance Account as necessary from time to time to pay such expenses.

(c) BOND PAYMENT ACCOUNT - Out of the Water System Fund there shall be credited monthly on or before the first day of each month to the Bond Payment Account, funds in such amounts and at such times as are sufficient to satisfy the payment obligations of the District under the Loan Agreement and the Note. The District Treasurer is hereby authorized and directed, without further authorization, to withdraw monies credited to the Bond Payment Account, or if the monies in such Account are insufficient, then from the Debt Service Reserve Account (but only from the appropriate debt service reserve sub-account) and next from the Retained Revenues Account, in an amount sufficient to pay, when due, the principal of and interest on the Note, the 2016A Bonds or any Additional Bonds and to transfer such amounts due to the Paying Agent and Registrar (or other paying agent for Additional Bonds or, in the case of the Note, to NDEQ) at least five (5) business days before each principal and interest payment date. Upon the issuance of any Additional Bonds pursuant to this Resolution appropriate additional credits to the Bond Payment Account shall be provided sufficient to pay principal and interest on said Additional Bonds.

(d) DEBT SERVICE RESERVE ACCOUNT – No amount shall be required to be maintained in the Debt Service Reserve Account with respect to the Note. Other sub-

accounts within the Debt Service Reserve Account may from time to time be established with respect to other bonds. Monies credited to the Debt Service Reserve Account may be withdrawn (but only from the appropriate sub-account), as needed to provide funds to pay, when due, the principal and interest on the Additional Bonds issued pursuant to this Resolution, if the Bond Payment Account contains insufficient funds for that purpose, and the District Treasurer is hereby authorized and directed to make such withdrawal if and when needed. In the event of a withdrawal from the Debt Service Reserve Account, there shall be credited to the Debt Service Reserve Account in the month following such withdrawal and each month thereafter (until each sub-account in the Debt Service Reserve Account has been fully restored) all monies in the Water System Fund remaining after making the payments required to be made in such month to the Operation and Maintenance Account and Bond Payment Account. Upon the issuance of any Additional Bonds a separate sub-account in the Debt Service Reserve Account shall be established (in such amount as the Board of Directors shall determine appropriate, which may be \$-0-) and any such separate debt service reserve account shall have the right to share, in the event of drawings upon such reserve sub-account for Additional Bonds, in revenues available in the Water System Fund upon a pro rata basis in accordance with the respective outstanding principal amounts or each such issue. Anything in this Subsection (d) to the contrary notwithstanding, the amount required to be maintained in any debt service reserve sub-account for any issue of Additional Bonds the interest on which is intended to be exempt from federal income taxation shall not be required to exceed at any time the maximum amount permitted to be invested without yield restriction under Section 103(b) and 148 of the Internal Revenue Code of 1986, as amended, and applicable regulations of the United States Treasury Department. Each sub-account in the Debt Service Reserve Account shall constitute a special and separate account held in trust for the specific issue for which it has been established held solely for such specific issue and to assure the payment of principal and interest thereon. When any issue of Additional Bonds for which a sub-account has been established is no longer outstanding, the particular sub-account for such issue shall no longer be required to be maintained.

(e) **RETAINED REVENUES ACCOUNT** - Monies from the Water System Fund remaining after the credits required in the foregoing Subsections (b), (c) and (d) have been made in full shall be credited to the Retained Revenues Account. Monies in the Retained Revenues Account shall be applied (1) first, to make up any deficiencies in the accounts described in the foregoing Subsections (b), (c) and (d); (2) second, to retire any of the Note, the 2016A Bonds or any Additional Bonds prior to their maturity, (3) third, to provide for replacements for or improvements to the Water System, (4) fourth, to pay principal of and interest on any junior lien indebtedness incurred with respect to the Water System, and (5) fifth, to provide for any other lawful purpose of the District related to the Water System determined upon by the Board of Directors.

The provisions of this Section shall require the District to maintain a set of books and records in accordance with such accounting methods and procedures as are generally applicable to a utility enterprise, which books and records shall show credits to and expenditures from the several accounts required by this Section 8. Monies credited to the Water System Fund or any of the accounts or sub-accounts therein as established by this Resolution shall be deposited or invested

separate and apart from other District funds. Except as specified below for the Debt Service Reserve Account, the District shall not be required to establish separate bank or investment accounts for the accounts and sub-accounts described in Subsection (b), (c), (d) and (e). Monies credited to the Debt Service Reserve Account or any reserve sub-account therein (unless otherwise directed in the authorizing resolution for any Additional Bonds with respect to the reserve sub-account for such Additional Bonds) shall, if maintained in a demand or time deposit account, be kept in a separate account and not commingled with other Water System funds or accounts. If invested, monies credited to the Debt Service Reserve Account or any reserve sub-account therein may be commingled with other Water System funds or accounts so long as the District maintains books and records clearly identifying the specific investments, or portions thereof, which belong to the Debt Service Reserve Account and the specific sub-accounts therein. Monies in any of the accounts may be invested in securities eligible for investment of other District funds. Income from or profit realized from any such investment shall be credited to the respective account from which said investment has been made until such account contains the maximum amount required to be deposited therein and thereafter such income or profit shall be transferred to the Water System Fund and treated as other revenues from the operation of the Water System.

Section 9. Covenants Relating to Water System. So long as any Note, the 2016A Bonds or Additional Bonds are outstanding, the District hereby covenants and agrees as follows:

(a) The District will maintain the Water System in good condition and will continuously operate the same in a reasonable and efficient manner, and the District will punctually perform all duties with reference to said system required by the Constitution and statutes of the State of Nebraska, but this covenant shall not prevent the District from discontinuing the use and operation of all or any portion of the Water System so long as the revenue derived from the District's ownership of the properties constituting the Water System shall be sufficient to fulfill the District's obligations under this Resolution.

(b) The District will not grant any franchise or right to any person, firm or corporation to own or operate a water system in competition with the Water System.

(c) The District will maintain insurance on the property constituting the Water System (other than such portions of the system as are not normally insured) against risks customarily carried by similar utilities, but including fire and extended coverage insurance in an amount which would enable the District to repair, restore or replace the property damaged to the extent necessary to make the Water System operable in an efficient and proper manner to carry out the District's obligations under this Resolution. The Board of Directors shall annually examine the amount of insurance carried with respect to the Water System and shall evidence approval of such insurance by resolution. The proceeds of any such insurance received by the District shall be used to repair, replace or restore the property damaged or destroyed to the extent necessary to make the Water System operable in an efficient and proper manner, and any amount of insurance proceeds not so used shall be credited to the Retained Revenues Account and applied in a manner consistent with the priorities set forth in subsection 8. In the event of any such insured casualty loss, the District may advance funds to make temporary repairs or provide for an advance on costs of the permanent repair, restoration or replacement from the Operation and Maintenance

Account or other funds of the District and any such advances shall be repaid from insurance proceeds received.

(d) The District will keep proper books, records and accounts separate from all other records and accounts in which complete and correct entries will be made of all transactions relating to the Water System. The District will upon request have its operating and financial statements related to the Water System audited annually by a certified public accountant or firm of certified public accountants. The District will furnish to the original purchaser of the Note and to the original purchaser or purchasers of each series of Additional Bonds issued hereunder (which may be accomplished by posting on EMMA), within seven (7) months after the end of each fiscal year of the Water System, a copy of the financial statements of the Water System and the certified public accountant's report thereon.

(e) The District shall cause each person handling any of the monies in the Water System Fund to be bonded by an insurance company licensed to do business in Nebraska in an amount or amounts deemed sufficient by the Board of Directors to cover the amount of money belonging to said system reasonably expected to be in the possession or control of any such person. The amount of such bond or bonds shall be fixed by the Board of Directors and the costs thereof shall be paid as an operating and maintenance expense from the Operation and Maintenance Account.

Section 10. Additional Bonds. To provide funds for any purpose related to the Water System, the District may issue Additional Bonds (other than Additional Bonds issued for refunding purposes which are governed by Section 11 of this Resolution) payable from the revenues of the Water System having equal priority and on a parity with the Note, the 2016A Bonds and any Additional Bonds then outstanding, only upon compliance with the following conditions:

(a) Such Additional Bonds shall be issued only pursuant to a resolution which shall provide for an increase in the monthly credits into the Bond Payment Account in amounts sufficient to pay, when due, the principal of and interest on the Note, the 2016A Bonds and any Additional Bonds then outstanding and the proposed Additional Bonds and for any monthly credits to the Debt Service Reserve Account as may be required to be established with respect to such Additional Bonds.

(b) The District shall have complied with one or the other of the two following requirements:

1) The Net Revenues derived by the District from its Water System for the fiscal year next preceding the issuance of the Additional Bonds shall have been at least equal to 1.25 times the Average Annual Debt Service Requirements of the Note, the 2016A Bonds and any Additional Bonds, all as then outstanding, and of the proposed Additional Bonds; or

2) The District shall have received a projection made by a consulting engineer or firm of consulting engineers, recognized as having experience and

expertise in municipal utility systems, projecting that the Net Revenues of the Water System in each of the three full fiscal years after the issuance of such Additional Bonds will be at least equal to 1.25 times the Average Annual Debt Service Requirements of the Note, the 2016A Bonds and any Additional Bonds, all as then outstanding, and of the proposed Additional Bonds. In making such projection, the consulting engineer shall use as a basis the Net Revenues of the Water System during the last fiscal year for which an independent audit has been prepared and shall adjust such Net Revenues as follows: (A) to reflect changes in rates which have gone into effect since the beginning of the fiscal year for which the audit was made, (B) to reflect such engineer's estimate of the net increase over or net decrease under the Net Revenues of the Water System for the fiscal year for which the audit was made by reason of: (i) changes of amounts payable under existing contracts for services; (ii) additional general income from sales to customers under existing rate schedules for various classes of customers or as such schedules may be revised under a program of changes which has been adopted by the Board of Directors of the District; (iii) projected revisions in costs for water service, labor, wages, salaries, machinery, equipment, supplies and other operational items; (iv) revisions in the amount of service to be supplied and any related administrative or other costs associated with such increases due to increased supply from the acquisition of any new facility; and (v) such other factors affecting the projections of revenues and expenses as the consulting engineer deems reasonable and proper. Annual debt service on any proposed Additional Bonds to be issued may be estimated by the consulting engineer in projecting Average Annual Debt Service Requirements, but no Additional Bonds shall be issued requiring any annual debt service payment in excess of the amount so estimated by the consulting engineer.

The District hereby covenants and agrees that so long as any of the Note, the 2016A Bonds and any Additional Bonds are outstanding, it will not issue any bonds or notes payable from the revenues of the Water System except in accordance with the provisions of this Resolution, provided, however, the District, to the extent permitted under the terms of this Resolution, reserves the right to issue bonds or notes which are junior in lien to the Note, the 2016A Bonds and any such Additional Bonds with the principal and interest of such junior bonds or notes to be payable from monies credited to the Retained Revenues Account as provided in Subsection 8(e) of this Resolution.

Section 11. Refunding Bonds. The District may issue refunding bonds which shall qualify as Additional Bonds of equal lien to refund any of the Bonds, the 2016B Bond or Additional Bonds then outstanding, provided, that if any such Bonds, the 2016B Bond or Additional Bonds are to remain outstanding after the issuance of such refunding bonds, the principal and interest payments due on the refunding bonds in any calendar year following such refunding shall not exceed the principal and interest payments which would otherwise have been due on the refunded bonds in such calendar year by more than ten percent (10%). Refunding Bonds issued in accordance with this paragraph may be issued as Additional Bonds of equal lien without compliance with the conditions set forth in Subsection 10(b) of this Resolution.

The District may also issue refunding bonds which shall qualify as Additional Bonds of equal lien to refund any Note, the 2016A Bonds or Additional Bonds then outstanding provided,

that, if any such Note, the 2016A Bonds or Additional Bonds are to remain outstanding after the application of the proceeds of the refunding bonds to the payment of the bonds which are to be refunded, such issuance must comply with the Net Revenues test set forth in Subsection 10(b)(1) of this Resolution and, if the proceeds of such refunding bonds are not to be applied immediately to the satisfaction of the bonds which are to be refunded, then such refunding bonds must provide by their terms that they shall be junior in lien to all Note, the 2016A Bonds and any Additional Bonds outstanding at the time of issuance of such refunding bonds until the time of application of their proceeds to the satisfaction of the bonds which are to be refunded. In computing Average Annual Debt Service Requirements to show compliance with said Net Revenues test for such refunding bonds, all payments of principal and interest due on such refunding bonds from the time of their issuance to the time of application of the proceeds of such refunding bonds to the satisfaction of the bonds which are to be refunded shall be excluded from such computation to the extent that such principal and interest are payable from sources other than the revenues of the Water System, such as earnings on the investment of the proceeds of said refunding bonds, or from monies in the Retained Revenues Account, and all payments of principal and interest due on the bonds which are to be refunded from and after the time of such application shall also be excluded. For purposes of this paragraph of this Section 11, the time of application of the proceeds of the refunding bonds to the satisfaction of the bonds which are to be refunded shall be the time of deposit with the paying agent for such bonds which are to be refunded pursuant to Section 10-126 R.R.S. Neb. 2012, as amended, (or any successor statutory provision thereto) or the time when such bonds which are to be refunded under the terms of their authorizing resolution or resolutions are no longer deemed to be outstanding, whichever occurs sooner.

Section 12. Bonds No Longer Outstanding. The District's obligations under this Resolution and the liens, pledges, dedications, covenants and agreements of the District herein made or provided for shall be fully discharged and satisfied as to the Note issued hereunder, and said bonds shall no longer be deemed outstanding hereunder if such bonds shall have been purchased and canceled by the District or, as to any of said bonds not theretofore purchased and canceled by the District, when payment of the principal of and any applicable redemption premium, if any, on such bonds plus interest thereon to the respective dates of maturity or redemption (a) shall have been made or caused to be made in accordance with the terms thereof; or (b) shall have been provided for by depositing with a state or national bank having trust powers or trust company in trust solely for such payment (i) sufficient moneys to make such payment and/or (ii) Deposit Securities in such amount and bearing interest payable and maturing or redeemable at stated fixed prices at the option of the holder as to principal at such times as will ensure the availability of sufficient moneys to make such payment and such bonds shall cease to draw interest from the date fixed for their redemption or maturity and, except for the purposes of such payment, shall no longer be entitled to the benefits of this Resolution; provided that, with respect to any such bonds called or to be called for redemption, the District shall have duly given notice of redemption or made irrevocable provision for such notice. Any such moneys so deposited with the aforesaid state or national bank or trust company as provided in this section may be invested and reinvested in Deposit Securities at the direction of the District and all interest and income from all such Deposit Securities in the hands of the aforesaid trustee bank or trust company which are not required to pay principal and interest on the Note for which such deposit has been made shall be paid to the District as and when realized and collected.

Section 13. General Authority. The officers of the District, or any one or more of them, including the Chairperson, Vice Chairperson and Secretary of the Board and the General Manager of the District are hereby individually authorized to do all things and execute all such documents as may by them be deemed necessary and proper to complete the issuance and sale of the Note and the execution and delivery of the Loan Agreement as contemplated by this Resolution.

Section 14. Expectations of Tax Status of the Note. The Board hereby expressly declares the intent and understanding that interest on the Note shall not be excludable from gross income under the terms of Section 103 of the Internal Revenue Code of 1986, as amended, and the District as issuer shall not file any information report with respect to the issuance of the Note pursuant to Section 149(e) of said Code.

Section 15. Severability. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Resolution.

Section 16. Conflicting Resolutions Repealed. All resolutions or orders or parts thereof in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed.

Section 17. Effectiveness. This Resolution shall be in force and take effect as provided by law.

ADOPTED October 13, 2016.

ATTEST:

Chairperson

Secretary

Exhibit "A"

Loan Agreement
(Including Form of Note as Attachment F)

The motion for adoption was seconded by Board Member _____. The Chairperson then stated the question was, "Shall this Resolution be passed and adopted?" Upon roll call vote, the following Board Members voted YEA: _____

_____; the following voted NAY: _____. The passage and adoption of said resolution having been concurred in by two thirds of all members of the Board, the Chairperson declared the resolution adopted and the Chairperson, in the presence of the Board of Directors, signed and approved the resolution and the Secretary attested the passage and approval of the same and affixed his signature thereto.

DATED THIS October 13, 2016.

ATTEST:

Chairperson

Secretary

LOAN AGREEMENT
(Governmental Borrower)

Between

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

and

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT,
WASHINGTON COUNTY RURAL WATER SYSTEM #2 PROJECT
WASHINGTON COUNTY, NEBRASKA**

NDEQ PROJECT NO. D311614

DATED AS OF NOVEMBER_____, 2016

**NEBRASKA DRINKING WATER FACILITIES LOAN FUND
LOAN AGREEMENT**

THIS LOAN AGREEMENT No. D311614 (the "Loan Agreement"), is entered into by and between the STATE OF NEBRASKA, acting by and through the Nebraska Department of Environmental Quality ("NDEQ") and the PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT, NEBRASKA (the "Borrower").

W I T N E S S E T H:

WHEREAS, the federal Safe Drinking Water Act, including the Safe Drinking Water Amendments Act of 1996, as amended (the "Federal Act") established a state revolving fund program and, to fund the state revolving fund program, the United States Environmental Protection Agency ("EPA") will make annual capitalization grants to the states under CFDA #66.468, (Safe Drinking Water State Revolving Fund), on the condition that each state provide an appropriate match for such state's revolving fund; and

WHEREAS, Neb. Rev. Stat. § 71-5318 empowers the Director of NDEQ to loan available funds in the Loan Fund (as defined herein) to borrowers pursuant to the Drinking Water State Revolving Fund Act, Neb. Rev. Stat. §§ 71-5314 to 71-5327, as amended (the "Act"), and rules and regulations adopted under such Act; and

WHEREAS, under the Act, the Director of NDEQ is given the responsibility for administration and management of the Loan Fund; and

WHEREAS, the Nebraska Investment Finance Authority ("NIFA") is authorized under Neb. Rev. Stat. § 58-201 et seq. and the Act to issue revenue bonds for the purpose of providing funds for NDEQ to loan to Borrowers within the State of Nebraska for the acquisition, construction, improvement, repair, rehabilitation or extension of safe drinking water projects (as defined in the Act), in order to provide the state match requirements of the Federal Act; and

WHEREAS, pursuant to such authorization, NIFA proposes to issue from time to time its Drinking Water State Revolving Loan Fund revenue bonds for the purpose of providing funds to NDEQ to loan to persons owning or operating public water supply systems in Nebraska to pay those eligible portions of the costs of acquiring, constructing, improving, repairing, rehabilitating or extending safe drinking water projects (as defined in the Act), in order to provide the state match requirements of the Federal Act; and

WHEREAS, NDEQ may from time to time enter into a pledge agreement with NIFA (the "Pledge Agreement"), pursuant to which NDEQ will pledge the interest portion of Loan Repayments (as defined herein) and certain other revenues to NIFA for the payment of the principal of, redemption premium, if any, and interest on Drinking Water State Revolving Fund Revenue Bonds which may be issued by NIFA from time to time; and

WHEREAS, the Borrower is an "owner" as defined in Neb. Rev. Stat. § 71-5316(7); and

WHEREAS, the project to be financed under this Loan Agreement and described in Exhibit 1 (the "Project") is a safe drinking water project as defined in Neb. Rev. Stat. § 71-5316(9); and

WHEREAS, the Project Costs (as hereinafter defined) are based upon estimates of the Borrower and at times during or at completion of construction the loan amount may be adjusted by NDEQ pursuant to Section 2.01 of this Loan Agreement; and

WHEREAS, the Project is included in the most recent Drinking Water State Revolving Fund Intended Use Plan developed by NDEQ and approved by the Nebraska Environmental Quality Council and EPA; and

WHEREAS, NDEQ has approved the Borrower's application for a loan from federal funds and state match funds if and when received by and made available to NDEQ pursuant to the Federal Act and the Act to finance Project Costs;

NOW, THEREFORE, for and in consideration of the award of this Loan Agreement by NDEQ, the Borrower agrees to complete its Project and to perform under this Loan Agreement in accordance with the conditions, covenants and procedures set forth below:

Article I

DEFINITIONS

The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meanings:

"*Act*" means the Drinking Water State Revolving Fund Act, Neb. Rev. Stat. §71-5314 to 71-5327, as amended.

"*Additional Bonds*" means "Additional Bonds" as defined in the Existing Revenue Obligations Authorizing Resolution and the Loan Agreement Authorizing Resolution, namely, any additional indebtedness of the Borrower for which the System Revenues have been pledged and which is of equal pledge and lien with the Existing Revenue Obligations and this Loan Agreement and the Promissory Note.

"*Additional Revenue Obligations*" means any obligation for the payment of money undertaken by the Borrower which is payable from or secured by a pledge of, or lien upon, the System Revenues (including Additional Bonds) incurred after the date of execution and delivery of this Loan Agreement.

"*Authorized Representative*" means the person or persons authorized pursuant to a resolution or ordinance of the governing body of the Borrower to perform any act or execute any document relating to this Loan Agreement.

"*Borrower*" means Papio-Missouri River Natural Resources District, that is a party to and is described in the first paragraph of this Loan Agreement, and its successors and assigns.

"*Cut-off Date*" means the date established by NDEQ at the Project's final inspection prior to which the Borrower will make the final disbursement request for eligible Project Costs.

"*Due Date*" means the dates specified for payment of principal and interest on the Loan as specified in Section 2.05.

"*Event of Default*" means any occurrence of the following events:

(a) Failure by the Borrower to pay, or cause to be paid, any Loan Repayment required to be paid hereunder when due.

(b) Failure by the Borrower to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraph (a) of this definition, which failure shall continue for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by NDEQ, unless NDEQ shall agree in writing to an extension of such time prior to its expiration. If the failure stated in such notice is correctable but cannot be corrected within the applicable period, NDEQ may not unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above, if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Event of Default is corrected.

(c) Failure by NDEQ to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement which shall continue for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to NDEQ by the Borrower, unless the Borrower shall agree in writing to an extension of such time prior to its expiration. If the failure stated in such notice is correctable but cannot be corrected within the applicable period, the Borrower may not unreasonably withhold its consent to an extension of such time up to 90 days from the delivery of the written notice referred to above if corrective action is instituted by NDEQ within the applicable period and diligently pursued until the Event of Default is corrected.

(d) The discovery that any representation made by or on behalf of the Borrower in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement or the Loan, is false or misleading in any material respect.

(e) The discovery that any representation made by or on behalf of NDEQ in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement, is false or misleading in any material respect.

(f) The filing of a petition by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, unless, in the case of any such petition filed against the Borrower, such petition is dismissed within 30 days after such filing and such dismissal shall be final and not subject to appeal.

(g) Failure of the Borrower generally to pay its debts as such debts become due.

(h) Any event of default under any Existing Revenue Obligation or Additional Revenue Obligation of the Borrower.

"Existing Revenue Obligations" means any obligation for a payment of money undertaken by the Borrower which is payable from or secured by a pledge of, or lien upon, the System Revenues existing or outstanding at the time of execution and delivery of this Loan Agreement by the Borrower.

"Existing Revenue Obligations Authorizing Resolution" shall mean Resolution No. ___ of the Borrower, passed and adopted September 8, 2016, authorizing the Borrower to issue the Existing Revenue Obligations.

"GAAP" means generally accepted accounting principles as applicable to the Public Water Supply System.

"Indebtedness" means any financial obligation of the Borrower evidenced by an instrument executed by the Borrower, including this Loan, Existing Revenue Obligations, Additional Revenue Obligations, general obligation bonds or notes, leases or lease-purchase agreements or similar financial transactions.

"Initiation of Operation" means the date on which the Borrower places the Project in operation or the Project is capable of being placed in operation for the purposes for which it was planned, designed and built.

"Late Payment" means any payment that is not received within 15 days of the due date.

"Loan" means the loan made by NDEQ to the Borrower to finance or refinance all or a portion of the Project Costs pursuant to this Loan Agreement.

"Loan Agreement" means this Loan Agreement, including the Attachments hereto, as it may be properly supplemented, modified or amended.

"Loan Agreement Authorizing Resolution" shall mean Resolution No. ___ of the Borrower, passed and adopted September 8, 2016, authorizing the Borrower to execute and deliver the Loan Agreement and the Note.

“*Loan Amount*” means the actual principal amount (not to exceed the amount specified in Section 2.01 hereof) of the Loan which NDEQ disburses to the Borrower pursuant to this Loan Agreement.

“*Loan Fund*” means the Drinking Water Facilities Loan Fund created pursuant to Neb. Rev. Stat. § 71-5318(1).

“*Loan Repayments*” means the payments of the Loan required to be made by the Borrower pursuant to Section 2.05 of this Loan Agreement.

“*Loan Terms*” means the terms of this Loan Agreement provided in Article II of this Loan Agreement.

“*NDEQ*” means the Nebraska Department of Environmental Quality established pursuant to Neb. Rev. Stat. § 81-1501 et seq., as amended.

“*NIFA*” means the Nebraska Investment Finance Authority, a public body politic and corporate and an instrumentality of the State, and its successors and assigns established pursuant to Neb. Rev. Stat. § 58-201 et seq., as amended.

“*Note*” means a promissory note of the Borrower with respect to the Loan in the form of Attachment F to this Loan Agreement.

“*Project*” means the acquisition, construction, improvement, repair, rehabilitation or extension of the Public Water Supply System, including land, owned or operated by the Borrower and described in Exhibit 1 to this Loan Agreement, which constitutes a safe drinking water project for which NDEQ is making a Loan to the Borrower pursuant to this Loan Agreement.

“*Project Costs*” means costs or expenses necessary or incident to the Project which are directly attributable thereto and which in the determination of NDEQ are eligible under the Act and the Federal Act. Project Costs are described in Attachment B.

“*Public Water Supply System*” means a public water supply system, as defined in Neb. Rev. Stat. § 71-5301(9).

“*Regulations*” means Title 131, Nebraska Department of Environmental Quality, and any amendments thereto promulgated by NDEQ pursuant to the Act.

“*Resolution*” means the Resolution Authorizing Issuance of Series 2016B Bond (NDEQ Loan Agreement and Promissory Note) passed and approved by the governing body of the Borrower on September 8, 2016.

“*Retainage*” means construction costs held back by the Borrower from the payments due to the contractor to assure satisfactory completion of the construction contract.

“*Revenue Obligation(s)*” means (a) the Loan; (b) any revenue bonds of the Borrower outstanding from time to time and payable from, or secured by a pledge of or lien upon, System Revenues; and (c) any capital leases entered into by the Borrower the rentals of which are payable from, or secured by a pledge of or lien upon, System Revenues.

“*SEC Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as such rule may be amended from time to time or such other similar rule regarding disclosure of information in securities transactions.

“*State*” means the State of Nebraska acting, unless otherwise specifically indicated, by and through NDEQ and its successors and assigns.

“*System Revenues*” means the revenues derived by the Borrower from the fees and charges for the use and services furnished by or through the Borrower’s Public Water Supply System.

“*Trustee*” means the trustee under any trust indenture with respect to the revenue bonds the proceeds of which are deposited in the Loan Fund.

“*User Charge System*” or “*Public Water Supply System Resolution/User Charge Systems*” means the methodology used to assess user charge fee(s) for the users of the Public Water Supply System owned or operated by the Borrower.

Article II

LOAN CONDITIONS AND TERMS

Section 2.01. Amount of the Loan. Subject to all of the terms, provisions and conditions of this Loan Agreement, and subject to the availability of State and federal funds, NDEQ will loan an amount not to exceed three hundred fifty thousand dollars (\$350,000) to the Borrower to pay a portion of the Project Costs. The actual amount of the Loan may be reduced without revision of any other terms, provisions or conditions of this Loan Agreement, other than adjustment by NDEQ to the Loan Repayment Schedule set forth in Attachment A hereto, to reflect the Loan Amount, based upon reductions in the actual total Project Costs as determined following the completion of construction of the Project. The Borrower must make provision for the payment of all costs exceeding the Loan Amount, provided that the Borrower may request that NDEQ provide supplemental loan funds through a separate loan agreement, the approval of which shall be dependent on availability of unobligated funds in the Loan Fund and NDEQ’s subsequent written approval of such request in its sole discretion upon such additional terms, conditions and covenants as NDEQ may then require.

Section 2.02. Term of the Loan. The Borrower agrees to begin repayment of principal and interest on the Loan Amount within one year from the date of Initiation of Operation, but no later than three years from the date of the Loan, whichever occurs first, and to repay such Loan in full no later than 20 years from Initiation of Operation and to pay all principal, interest, administrative fees and penalty fees when due.

Section 2.03. Interest Rate. The interest rate on the Loan Amount is determined by NDEQ pursuant to Regulations and the Intended Use Plan. The interest rate on this loan amount disbursed to the Borrower pursuant to this Loan Agreement during the period of construction shall be 2.0% and after the date of Initiation of Operation shall be 2.0% per annum (calculated on the basis of a year equaling 360 days made up of 12 months of 30 days each). For the purposes of this paragraph “construction” shall mean the period between the date of this Loan Agreement and the date of Initiation of Operation.

Section 2.04. Disbursement of Loan. Upon receipt of a disbursement request for work completed accompanied by any certification from the Borrower required by NDEQ, NDEQ shall make progress disbursements that correspond to such request of the Loan Amount to be used by the Borrower for Project Costs. The Borrower may obtain a copy of the disbursement record upon request to NDEQ. Each disbursement shall be upon warrant by the State and shall be equal to that portion of the unobligated principal of the Loan Amount incurred for Project Costs to the date of the request for disbursement from the Borrower. Submitted requests for disbursement must be supported by proper invoices for Project Costs, a certificate of the Authorized Representative to the effect that all representations made in this Loan Agreement remain true as of the date of the request and that no adverse developments affecting the financial condition of the Borrower or its ability to complete the Project or to repay the Loan have occurred since the date of this Loan Agreement, and other documentation acceptable to and approved by NDEQ. Disbursement requests should be submitted before the first or the fifteenth of each month to facilitate timely processing. All disbursement requests must be made prior to the Cut-off Date established by NDEQ.

The Borrower may request disbursement of the Loan Amount for eligible Project Costs, when such Project Costs have been incurred and are due and payable to project contractors. However, actual payment

of such Project Costs by the Borrower is not required as a condition of a payment request. Disbursement requests will be processed on or about the fifth and twentieth day of each month. Any Retainage withheld by the Borrower corresponding to the progress payment made to any contractor will be withheld by NDEQ until such Retainage is either reduced or released to the contractor by the Borrower.

The Borrower shall submit a draft of the operation and maintenance manual for the Project to Nebraska Department of Health and Human Service, Division of Public Health (NDHHS-DPH) before disbursements exceed 75% of the Project Costs. The Borrower shall submit a final operation and maintenance manual to NDHHS-DPH and receive approval before disbursements exceed 95% of the Project Costs or final disbursement, whichever comes first.

Section 2.05. Loan Payments.

(a) **Principal and Interest Payments.** The Borrower shall pay to NDEQ, or at the direction of NDEQ, to NIFA or the Trustee, on or before the due dates specified below, but shall be obligated to pay only from the sources specified in Section 3.02 hereof, appropriate installments of principal and interest until all principal and interest due on the Loan to NDEQ has been paid in full. Installments of principal and interest (total debt service) shall be paid semiannually on December 15 and June 15 of each year in accordance with the Loan Repayment Schedule in Attachment A; provided that, following the final disbursement of Loan proceeds to the Borrower and receipt of the Initiation of Operation date, a revised final Attachment A shall be prepared by NDEQ to establish the final debt service schedule based upon the parameters described in the projected Attachment A. Such revised final Attachment A thereafter shall be deemed to be incorporated herein by reference and made a part hereof and shall supersede and replace the projected Attachment A.

NDEQ will send the Borrower an invoice for each required payment at least 30 days prior to the due date. When a Loan disbursement occurs after invoices are mailed, NDEQ will include adjustments for interest and fee charges on the next semiannual invoice.

(b) **Optional Prepayment of the Loan.** The Borrower may prepay the Loan, together with any accrued interest in whole or in part, at any time without penalty upon giving 60 days written notice to the NDEQ of its intent to prepay. The Borrower may make a partial prepayment of the Loan Amount only if the prepayment amount is greater than the lesser of 10% of the outstanding amount of the Loan, or fifty thousand dollars (\$50,000). The NDEQ shall prepare a new Loan Repayment Schedule to revise Attachment A following receipt of any partial prepayment of the Loan and such revised Attachment A thereafter shall be deemed to be incorporated herein by reference and made a part hereof and shall supersede and replace Attachment A.

(c) **Mandatory Prepayment of Loan.** If the Borrower receives a grant from any source for any portion of the Project Costs for which a portion of the Loan Amount has been disbursed and is outstanding under this Loan Agreement, such portion of the Loan Amount shall become immediately due and payable.

(d) **Delinquent Payment Penalty and Penalty Interest.** Payments shall be considered delinquent if not received within 15 days of the due date and for any such delinquent payment, the Borrower agrees to pay a 5% administrative penalty of said delinquent payment. In addition, the Borrower agrees to pay penalty interest on any such delinquent payment at the rate of 1% per month of the amount of such delinquent payment from and after the due date until it is paid.

Section 2.06. Administrative Fee. The Borrower shall pay to NDEQ, or at the direction of NDEQ, to NIFA or the Trustee, an annual administrative fee of 0.75% per annum of the Loan Amount outstanding from time to time to be paid in semiannual installments of 0.375% of the Loan Amount outstanding on the date invoices are mailed in accordance with the Loan Repayment Schedule in Attachment A. Following the final disbursement of Loan proceeds to the Borrower and receipt of the Initiation of Operation date, Attachment A shall be prepared by NDEQ pursuant to Section 2.05(a). The fee is waived for the first year from the date of the initial Loan Agreement.

Section 2.07. Project Schedule. The Borrower agrees to perform steps of the Project in accordance with the following schedule of milestone dates:

- (a) November 2016, Loan date
- (b) September 2016, Construction start
- (c) November 2016, Initiation of Operation
- (d) November 2016, Substantial completion of construction

Section 2.08. Disadvantaged Business Enterprises. The Borrower agrees that 10% of the Loan Amount shall be the objective for proposed Disadvantaged Business Enterprises (Small Business Enterprise/Minority Business Enterprise/Women's Business Enterprise/Small Business Rural Area), Including Historically Black Colleges and Universities ("DBE/HBCU") subagreement work under this Loan Agreement. The Borrower shall take affirmative steps to assure that small, minority and women's businesses pursuant to 40 C.F.R. 31.36(e) and small businesses in rural areas pursuant to 13 C.F.R. 121.2 are used when possible as sources of supplies, construction and services. Affirmative steps shall include the following:

- (a) Placing disadvantaged business enterprises, including minority, women's, small businesses and small businesses in a rural area and historically black colleges and universities on solicitation lists;
- (b) Assuring that disadvantaged business enterprises and historically black colleges and universities are solicited whenever they are potential sources;
- (c) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by disadvantaged business enterprises;
- (d) Establishing delivery schedules, where the requirement permits, which encourage participation by disadvantaged business enterprises;
- (e) Using the services and assistance of the Small Business Administration and Minority Business Development Agency of the United States Department of Commerce; and
- (f) Requiring the prime contractor to take the affirmative steps listed above.

In addition, the Borrower agrees to submit to NDEQ a completed SF 334 form within 15 days after the end of each federal fiscal quarter during which the Borrower or its contractors award any subagreements to a disadvantaged business enterprise for building and building-related services and supplies.

Section 2.09. Public Water Supply System Resolution/User Charge Systems. The Borrower agrees to adopt and implement such changes to its Public Water Supply System Resolution/User Charge System as determined by NDEQ from time to time to be necessary to comply with the Regulations. The Borrower agrees that it shall not modify or amend or make additions to or deletions from its Public Water Supply System Resolution/User Charge System without the consent of NDEQ during the term of this Loan Agreement except for any increase in rates and charges necessary or deemed necessary by the governing body of the Borrower in order to comply with the provisions of this Loan Agreement.

Section 2.10. Other Conditions and Terms.

- (a) **Engineering Services.** The Borrower shall provide and maintain competent and adequate engineering supervision and resident inspection during construction.

(b) **Construction Contract Award.** The Borrower shall obtain NDEQ concurrence and authorization prior to award of the construction contract.

(c) **Initiation of Operation.** The Borrower shall provide written notification to NDEQ of the date of Initiation of Operation of the Project. On failure of the Borrower to set an acceptable Initiation of Operation date NDEQ will look at the construction record and set the Initiation of Operation date.

(d) **Construction Completion.** The Borrower shall provide written notification to NDEQ of the construction completion date of the Project.

(e) **Capacity Development.** The Borrower agrees to maintain a system of records for annual review and reporting of technical, managerial, and financial capacity of the public water supply system to demonstrate continued compliance with the requirements of the Nebraska Safe Drinking Water Act as provided under Title 179 NAC2 and the requirements of an operating permit, as issued by the Nebraska Department of Health and Human Services Regulation and Licensure effective October 1, 1999 for new community water supply systems, and October 1, 2000 for existing community water supply systems.

(f) **Contractor's Security.** The Borrower agrees to require any contractor of the Project to post separate performance and payment bonds or other security approved by NDEQ in the amount of the bid.

(g) **Certified Operator.** The Borrower agrees to provide a certified operator pursuant to Title 179 NAC2 Regulations Governing Public Water Supply Systems.

(h) **Site Title and Easements.** The Borrower must certify that site title, including all easements and rights-of-way necessary to allow construction of the Project, has been obtained prior to award of the construction contract (i.e., all real property has been acquired, bona fide options have been taken or formal condemnation proceedings have been initiated for necessary real property).

(i) **Contractor's Payments.** The Borrower agrees to make prompt payment to its contractor(s) of sums due for construction and to retain only such amounts as may be justified by specific circumstances and provisions of the construction contract.

(j) **Bid Solicitation.** The Borrower agrees that all bid solicitations will include the following statement:

The prospective participants must certify by submittal of EPA Form 5700-49 "Certification Regarding Debarment, Suspension and Other Responsibility Matters" that, to the best of its knowledge and belief, it and its principals are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any federal department or agency.

(k) **Debarment or Suspension.** The Borrower acknowledges that doing business with any party appearing in the "List of Parties Excluded from Federal Procurement or Non Procurement Programs" may result in disallowance of federal funds under this Loan Agreement and may also result in suspension or debarment under 40 C.F.R. Part 32.

(l) **Other Federal Requirements.** The Borrower agrees to comply with other applicable Federal Requirements in Attachment D hereto.

(m) **Project Sign.** The Borrower agrees to display the project sign if provided by NDEQ. The sign will remain the property of NDEQ and will be retrieved soon after project completion. The Borrower will remove the sign for NDEQ when requested.

(n) **Employment under Public Contracts, LB 403.** The Borrower agrees to comply with the provisions of LB403, approved by the Governor April 8, 2009. The following language is required and

will be included in all contracts made with contractors and is a pass through requirement for his or her subcontractors.

“The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of new employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee. If the Contractor is an individual or sole proprietorship, the following applies: 1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at www.das.state.ne.us; 2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor’s lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program; and, 3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.”

(o) **Prevailing Wage.** All laborers and mechanics employed by contractors and sub contractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to the Public Law 111-88 shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C.App.) and section 3145 of title 40, United States Code.

The Borrower is responsible to insure compliance with the prevailing wage requirements and will include the following information in the contract documents:

Contractors and subcontractors on USEPA federally assisted construction projects are required to pay their laborers and mechanics not less than those established by the U.S. Department of Labor. A current wage decision containing the appropriate building and/or heavy type rates shall be included in the specifications. In addition, labor standard provisions, Davis Bacon and Related Acts, for federally assisted contracts shall be placed in the federal assurances of project specifications.

If an areawide decision or classification does not exist for the type of work to be performed, building or heavy, a decision or request for authorization of additional classification and rate must be requested from the Labor Department using the Standard Form 1444, Request for Authorization of Additional Classification and Rate available on the web at: www.gsa.gov/portal/forms/download/115906. These types of decisions or classifications are project specific, i.e. they are applicable only to the project for which they are requested and may not be used on any other project. Project decisions generally have an expiration date of 180 days after the date of issuance. Modifications or reissued decisions are applicable to a project if received by NDEQ not less than 10 days prior to bid opening. Modifications to classification and wage rates after bid opening shall be paid to all workers performing work in the new or modified classification from the first day on which work is performed in the additional classification as approved by the Administrator of the Wage and Hour Division, Employment Standards Administration, US Department of Labor.

Weekly Payrolls shall be submitted by the contractor to the Borrower or the Borrower’s representative utilizing the Department of Labor Form WH-347. A webform which can be completed on-line is found at www.dol.gov/whd/forms/wh347.pdf. Instructions are also found on-line. The Borrower may also be required to submit copies of the Weekly Payrolls to NDEQ. As to each payroll copy received, the Borrower shall provide written confirmation on a form supplied by NDEQ indicating whether or not the project

is in compliance with the requirements of 29 CFR 5.5(a)(1) based on the most recent payroll copies for the specified week. The Borrower or Borrower's representative shall periodically interview a sufficient number of the contractor's or subcontractor's employees entitled to Davis Bacon prevailing wages to verify that contractors or subcontractors are paying the appropriate wage rates. As provided in 29 CFR 5.6(a)(6), all interviews must be conducted in confidence. The Borrower must use Standard Form 1445 or equivalent documentation to memorialize the interviews. Copies of the SF 1445 form are available at <http://www.gsa.gov>. At a minimum, the Borrower or the Borrower's representative should conduct interviews with a representative group of covered employees within two weeks of each contractor or subcontractor's submission of its initial weekly payroll data and two weeks prior to the estimated completion date for the contract or subcontract. EPA has issued a waiver from the two week interview interval requirements by a November 16, 2012, EPA Memorandum, Class Deviation – Prevailing Wage Interview Interval Requirement in Clean Water and Drinking Water State Revolving Funds (CWSRF and DWSRF) Capitalization Grants. The provision for two week interview intervals is not a regulatory or statutory requirement and has been superseded by the class deviation. The Borrower or Borrower's representative should conduct such interviews if and when the Borrower or Borrower's representative finds it necessary to ensure that contractors are complying with the prevailing wage requirements.

(p) **Human Trafficking.** Under the requirements of Section 106 of the Trafficking Victims Protection Act of 2000, as amended, the following provisions apply to this award:

“The Municipality, its employees, sub-recipients under this award, and sub-recipients' employees may not engage in severe forms of trafficking in persons during the period of time that the award is in effect; procure a commercial sex act during the period of time that the award is in effect; or use forced labor in the performance of the award or sub-awards under the award.”

(q) **Buy American Iron and Steel Products.** Public Law 113-235, Consolidated and Further Continuing Appropriations Act 2015 requires that none of the appropriated funds for the DWSRF may be used for the construction, alteration, maintenance, or repair of a public water system unless all of the iron and steel products used in the project are produced in the United States. DWSRF Buy American Iron and Steel (AIS) requirements are waived if a project has approved plans and specifications from the Nebraska Department of Health and Human Services prior to December 16, 2014, the enactment date of Public Law 113-235, Consolidated and Further Continuing Appropriations Act 2015. These Buy American requirements apply for the entirety of the construction activities financed by the Loan Agreement unless (a) a waiver is provided to the Assistance Recipient by EPA or (b) compliance would be inconsistent with United States obligations under international agreements. In order to receive a waiver, the Assistance Recipient must send a written request to the EPA Administrator. A decision will be made based on the following criteria:

- (1) The requirement is inconsistent with the public interest for purposes of the project for which a waiver has been requested,
- (2) Iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality, or
- (3) Inclusion of iron and steel products produced in the United States will increase the overall cost of the project by more than 25 percent.

If the Administrator receives a request for a waiver, the Administrator shall make available to the public on an informal basis a copy of the request and information available to the Administrator concerning the request and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. The Administrator shall make the request and accompanying information available by electronic means, including on the official public Internet Web site of the Environmental Protection Agency. EPA will provide additional guidance on this provision as it becomes available.

The term “iron and steel products” means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

Iron and steel products that are not 100% compliant with the above requirements should be identified early in the planning and design process and the appropriate justification prepared and waiver process followed to meet the requirement before the project goes to construction.

Buy American Iron and Steel (AIS) requirements are waived if a project has submitted plans and specifications for approval to a State agency, prior to enactment of the Appropriations Act or January 17, 2014 in accordance with the EPA nationwide plans and specifications waiver signed April 15, 2014.

In addition, EPA has granted a nationwide waiver for de minimis incidental components for eligible CWSRF or DWSRF projects, signed April 15, 2014. This action permits the use of products when they occur in de minimis incidental components for such projects funded by the Act that may otherwise be prohibited under section 436(a). Example of incidental components could include small washers, screws, fasteners, (i.e., nuts and bolts), miscellaneous wire, corner bead, ancillary tube, etc. Examples of items that are clearly not incidental include significant process fittings (i.e., tees, elbows, flanges, and brackets), distribution system fittings and valves, force main valves, pipes for sewer collection and/or water distribution, treatment and storage tanks, large structural support structures, etc. Funds used for such de minimis incidental non-AIS compliant components cumulatively may comprise no more than a total of 5 percent of the total cost of the materials used in and incorporated into a project. The cost of an individual non-AIS compliant item may not exceed 1 percent of the total cost of the materials used in and incorporated into a project.

EPA has provided additional guidance on these AIS provisions which can be found on EPA's website at http://water.epa.gov/grants_funding/aisrequirement.cfm.

Article III

REPRESENTATIONS AND COVENANTS OF BORROWER

Section 3.01. Representations of the Borrower. The Borrower represents as follows:

(a) *Organization and Authority.*

(i) The Borrower is a city, town, village, district, association or other public body created by or pursuant to the constitution and statutes of the State of Nebraska.

(ii) The Borrower has full legal right and authority and has all necessary licenses and permits required as of the date hereof (or is in the process of obtaining all necessary licenses and permits that will be required, but are not required to be in place as of the date hereof) to own, operate and maintain its Public Water Supply System, to carry on its activities relating thereto, to execute and deliver this Loan Agreement, to undertake and complete the Project, and to carry out and consummate all transactions contemplated by the Loan.

(iii) The proceedings of the Borrower's governing body conducted to approve this Loan Agreement and approve its execution, issuance and delivery on behalf of the Borrower, and authorizing the Borrower to undertake and complete the Project, have been duly and lawfully convened and conducted and the resolution of the Borrower's governing body approving such matters has been duly and lawfully adopted.

(iv) This Loan Agreement has been duly authorized, executed and delivered on behalf of the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, except to the extent that enforceability may be limited by laws related to bankruptcy, insolvency or other similar laws affecting creditors' rights generally and general principles of equity.

(b) **Full Disclosure.** To the best knowledge of the Borrower, there is no fact that the Borrower has not disclosed to NDEQ in writing on the Borrower's application for the Loan or otherwise anything that materially adversely affects or that will materially adversely affect the properties, activities of its Public Water Supply System, or the ability of the Borrower to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreement under this Loan Agreement.

(c) **Non-Litigation.** There is no controversy, suit or other proceeding of any kind pending or to the best knowledge of the Borrower, threatened questioning, disputing or affecting in any way (i) the legal organization of the Borrower or its boundaries, (ii) the right or title of any of its officers to their respective offices, (iii) the legality of any official act taken in connection with obtaining the Loan, (iv) the constitutionality or validity of the indebtedness represented by this Loan Agreement, (v) any of the proceedings had in relation to the authorization or execution or the pledging of the revenues of the Borrower's Public Water Supply System under this Loan Agreement, or (vi) the ability of the Borrower to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(d) **Compliance With Existing Laws and Agreements.** The authorization, execution and delivery of this Loan Agreement by the Borrower, and the performance by the Borrower of its duties, covenants, obligations and agreements thereunder, will not violate any law to which the Borrower is subject or breach any agreement to which the Borrower is a party.

(e) **No Defaults.** No event has occurred and no condition exists that would constitute an Event of Default. The Borrower is not in violation of any agreement which would materially adversely affect the ability of the Borrower to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(f) **Governmental Consent.** The Borrower has obtained all permits and approvals required to date under this Loan Agreement (or is in the process of obtaining all permits and approvals that will be required, but are not required to be in place as of the date hereof) for the undertaking or completion of the Project and the financing or refinancing thereof. The Borrower has complied with or expects to comply with, all applicable provisions of law requiring any notification, with any governmental body or officer in connection with this Loan Agreement or with the undertaking or completion of the Project and the financing or refinancing thereof.

(g) **Compliance With Law.** The Borrower:

(i) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, including, without limitation, any public hearing or public notice requirements or environmental review requirements contained in the Regulations, with which the failure to comply would materially adversely affect the ability of the Borrower to conduct its activities, enter into this Loan Agreement or undertake or complete the Project; and

(ii) has obtained, or expects to obtain, all licenses, permits, franchises or other governmental authorizations presently necessary for the ownership of its property which, if not obtained, would materially adversely affect the ability of the Borrower to complete the Project.

(h) **Use of Loan Proceeds.** The Borrower will apply the proceeds of the Loan as described in Article II: (i) to finance or refinance a portion of the Project Costs and (ii) where applicable, to reimburse the Borrower for a portion of the Project Costs, which portion was paid or incurred in anticipation of reimbursement by NDEQ and is eligible for such reimbursement pursuant to the Regulations. All of such costs constitute Project Costs for which NDEQ is authorized to make Loans to the Borrower pursuant to the Act and the Regulations.

(i) **Project Costs.** The Borrower certifies that the Project Costs, as listed in Attachment B, are reasonable and accurate estimations and, upon direction of NDEQ, will supply the same with a certificate from its engineer stating that such costs are reasonable and accurate estimations, taking into

account investment income, if any, to be realized during the course of construction of the Project and other money that would, absent the Loan, have been used to pay the Project Costs.

Section 3.02. Particular Covenants of the Borrower.

(a) **Dedicated Source of Revenue for Repayment of the Loan.** The Borrower hereby pledges the System Revenues as the dedicated source of revenue for the repayment of the Loan. The pledge herein provided for is made in accordance with and under the terms of the Loan Agreement Authorizing Resolution and is secured on a parity basis with the pledges made under and referred to in the Existing Revenue Obligations Authorizing Resolution. The Borrower shall fix, establish, maintain and collect such rates, fees and charges for the use and services furnished by or through the Borrower's Public Water Supply System, including all improvements and additions hereafter constructed or acquired by the Borrower, as will provide revenues sufficient to (i) pay the cost of the operation and maintenance, and replacement of the Public Water Supply System, (ii) pay at least 110% of the principal of and interest on the Loan as and when the same become due, and (iii) pay all other amounts due at any time under this Loan Agreement; provided, however, the lien of NDEQ on the revenues of the Borrower's Public Water Supply System shall be on a parity with the lien on such revenues of the Borrower's outstanding Public Water Supply System revenue bonds for the benefit of the Existing Revenue Obligations issued pursuant to and referred to in the Existing Revenue Obligations Authorizing Resolution, and any Additional Bonds hereafter issued on parity with such Existing Revenue Obligations. These revenues shall be set aside as collected and deposited in a separate fund as provided in the Loan Agreement Authorizing Resolution. Such fund shall be divided into at least two separate accounts, one for the operation and maintenance costs and the other for principal and interest payments on the Loan. The Borrower shall deposit monthly, in the Loan payment account, an amount equal to at least one sixth of the anticipated amount due on the next Loan payment date. The Borrower agrees to develop the User Charge System based on actual or estimated use of public water supply services, providing that each user or user class pay its proportionate share of operation and maintenance (including replacement) costs within the Borrower's service area, based on the user's classification and proportionate water usage demand compared to total system water usage demand and to conduct at least a biennial review of user charge rates to review the adequacy of the user charge rates. The Borrower agrees the initial financial analysis performed by NDEQ in Attachment C is a reasonable estimate of the Project Costs, of the financial situation of the Borrower in relation to the Project, and of the user charges necessary at the time of Initiation of Operation of the Project. NDEQ may review this information annually to insure the Borrower's compliance with this condition and update Attachment C to reflect any changes.

(b) **Performance Under Loan Agreement.** The Borrower covenants and agrees:

(i) to comply with all applicable State and federal laws, rules and regulations in the performance of this Loan Agreement (including, but not limited to the federal crosscutting issues listed in Appendix A of the EPA's final Drinking Water State Revolving Fund Program Guidelines and set forth on Attachment D hereto and NDEQ Regulations); and

(ii) to cooperate with NDEQ in the observance and performance of the respective duties, covenants, obligations and agreements of the Borrower and NDEQ under this Loan Agreement.

(c) **Completion of Project and Provision of Moneys Therefor.** The Borrower covenants and agrees:

(i) to exercise its best efforts in accordance with prudent public water supply utility practice to complete the Project and to so accomplish such completion on or before the estimated Project completion date set forth in Article II hereto; and

(ii) to provide from its own financial resources all moneys, in excess of the total amount of proceeds it receives pursuant to this Loan Agreement, required to complete the Project.

(d) **Delivery of Documents.** Concurrently with the delivery of this Loan Agreement (as previously authorized and executed) at the Loan Closing, the Borrower will cause to be delivered to NDEQ each of the following items:

(i) counterparts of this Loan Agreement (as previously executed by parties hereto);

(ii) copies of the ordinances and/or resolutions of the governing body of the Borrower authorizing the execution and delivery of this Loan Agreement certified by an Authorized Representative;

(iii) an Opinion of Borrower's Counsel substantially in the form of Attachment E hereto;

(iv) an executed Note (or other evidence of indebtedness) evidencing the Borrower's obligations under this Loan Agreement in the form of Attachment F;

(v) an executed certificate of the Borrower in the form of Attachment G hereto; and

(vi) such other certificates, documents, opinions and information as NDEQ may require.

(e) **Operation and Maintenance of Public Water Supply System.** The Borrower covenants and agrees that it shall, in accordance with Section 8 of Title 179 NAC 22—Operation and Maintenance of Community and Non-Transient Non-Community Public Water Systems:

(i) at all times operate the properties of its Public Water Supply System in an efficient manner; and

(ii) maintain its Public Water Supply System, making all necessary and proper repairs, renewals, replacements, additions, betterments and improvements necessary to maintain its system in good repair, working order and operating condition.

(f) **Disposition of Public Water Supply System.** The Borrower covenants that it intends to own and operate the Project at all times during the term of the Loan. The Borrower does not know of any reason why the Project will not be so used in the absence of (i) supervening circumstances not anticipated by the Borrower at the time of the Loan, (ii) adverse circumstances beyond the control of the Borrower or (iii) obsolescence of such insubstantial parts or portions of the Project as may occur as a result of normal use thereof.

The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Public Water Supply System except on 90 days' prior written notice to NDEQ and, in any event, shall not so sell, lease, abandon or otherwise dispose of the same unless the Borrower shall in accordance with Section 4.02 hereof assign this Loan Agreement and its rights and interests hereunder to the purchaser or lessee of the Public Water Supply System and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Borrower under this Loan Agreement. In no event shall the Borrower sell, lease, abandon or otherwise dispose of the Public Water Supply System to any person or entity other than a municipal corporation or other political subdivision of the State of Nebraska, or any combination thereof, that has legal authority to own or operate the Public Water Supply System.

Before any proposed disposition of the Public Water Supply System can be made, the Borrower shall provide NDEQ, and NIFA if NIFA is an assignee of the Note, with an opinion of a nationally recognized bond counsel that such proposed disposition is permitted by the provisions of this subparagraph, and, further, that such disposition shall not endanger the exclusion from gross income for federal income tax

purposes of the interest on any bonds issued to fund deposits into the Loan Fund, nor shall it relieve the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement.

(g) **Records and Accounts.** The Borrower shall maintain accurate records and accounts in accordance with generally accepted accounting principles for its Public Water Supply System (the "System Records"), separate and distinct from its other records and accounts (General Accounts). Such System Records shall be audited annually by an independent auditor in accordance with generally accepted government auditing standards. If total federal funds expended exceed a total of \$750,000 for the Borrower's fiscal year then the Borrower needs a Single Audit performed. Such System Records and General Accounts shall be made available for inspection by NDEQ at any reasonable time and when requested by NDEQ. A copy of the Borrower's annual audit report, including all written comments and recommendations of the auditor, shall be furnished to NDEQ within 210 days of the end of the requested fiscal year.

The Borrower specifically agrees to promptly notify the NDEQ of the occurrence of certain material events, to the extent necessary for the NDEQ to comply with its continuing disclosure obligations set forth in the SEC Rule. For purposes of this paragraph, "material event" shall mean (a) principal and interest payment delinquencies on any Indebtedness, (b) nonpayment related defaults in agreements authorizing any Indebtedness, (c) rating changes on any Indebtedness, (d) adverse tax opinions or events affecting the tax exempt status of any Indebtedness, or (e) unscheduled draws on debt service reserves or credit enhancements on any Indebtedness reflecting financial difficulties. Financial information and operating data pertaining to a material event, if requested, shall be supplied within 210 days after the end of the Borrowers fiscal year in which the event occurred.

(h) **Inspections; Information.** The Borrower shall permit the EPA, NDEQ and any party designated by NDEQ to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the EPA and NDEQ may reasonably require in connection therewith.

(i) **Financial Information.** The Borrower specifically agrees to provide to NDEQ a reasonable number of copies of such financial information and operating data of the Borrower and the Public Water Supply System and the prompt notification of the occurrence of certain material events, to the extent necessary for NDEQ to comply with its continuing disclosure obligations set forth in the SEC Rule. Such financial information shall be audited in accordance with the provisions of subsection (g)(ii) hereof. Such financial information shall be prepared in accordance with GAAP. Such financial information and operating data, if requested, shall be supplied within 210 days after the end of its fiscal year. If audited financial information will be prepared, but is not available within 210 days of the end of the appropriate Borrower's fiscal year, unaudited financial information shall be provided to NDEQ pending receipt of audited financial information. For purposes of this paragraph, "material event" shall mean (a) principal and interest payment delinquencies on any Indebtedness, (b) non-payment-related defaults in agreements authorizing any Indebtedness, (c) rating changes on any Indebtedness, (d) adverse tax opinions or events affecting the tax-exempt status of any Indebtedness, or (e) unscheduled draws on debt service reserves or credit enhancements on any Indebtedness reflecting financial difficulties.

(j) **Insurance.** The Borrower will carry and maintain such reasonable amount of all risk insurance on all properties and all operations of the Public Water Supply System as would be carried by similar sized municipal operators of Public Water Supply System, insofar as the properties are of an insurable nature.

(k) **Continuing Representations.** The representations of the Borrower contained herein shall be true at the time of the execution of this Loan Agreement and at all times during the term of this Loan Agreement.

(l) **Notice of Material Adverse Change.** The Borrower shall promptly notify NDEQ of any material adverse change in the activities, prospects or condition (financial or otherwise) of the Borrower's Public Water Supply System, in accordance with the provisions of subsection (g)(i) hereof, or in the ability of the Borrower to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(m) **Additional Covenants and Requirements.** If necessary in connection with the making of the Loan, additional covenants and requirements are listed on Attachment H hereto. The Borrower agrees to observe and comply with each such additional covenant and requirement, if any.

Article IV

ASSIGNMENT

Section 4.01. Assignment and Transfer by NDEQ. The Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement that NDEQ deems necessary in connection with the operation and administration of the Loan Fund. The Borrower hereby specifically approves the assignment and pledging of the interest portion of the Loan Repayments to NIFA.

Section 4.02. Assignment by the Borrower. This Loan Agreement may not be assigned by the Borrower for any reason, unless the following conditions shall be satisfied:

(a) NDEQ shall have approved said assignment in writing;

(b) the assignee is a village, town, city, district, association, county or other public body created by or pursuant to State law of the State of Nebraska or any combination thereof, that has legal authority to own or operate the Public Water Supply System;

(c) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Borrower's duties, covenants, and obligations under this Loan Agreement; provided, however, such assignment shall not relieve the Borrower of its duties, covenants, and obligations under this Loan Agreement;

(d) the assignment will not adversely impact NDEQ's ability to meet its duties, covenants and obligations under the Pledge Agreement as determined in writing by NDEQ;

(e) the assignment will not adversely affect the exclusion from gross income for federal tax purposes of the interest on any bonds issued by NIFA to fund deposits into the Loan Fund; and

(f) the Borrower shall provide NDEQ, and NIFA if NIFA is an assignee of the Note, with (i) an opinion of a qualified attorney that each of the conditions set forth in subparagraphs (b) and (c) above has been met, and (ii) an opinion of nationally recognized bond counsel that the condition set forth in subparagraph (e) above has been met.

Article V

EVENTS OF DEFAULT AND REMEDIES

Section 5.01. Notice of Default. If an Event of Default shall occur, the nondefaulting party shall give the party in default and NIFA prompt telephonic notice of the occurrence of such Event of Default, provided the nondefaulting party has knowledge of such event of Default. Such telephonic notice shall be immediately followed by written notice of such Event of Default given in the manner set forth in Section 6.04 hereof.

Section 5.02. Remedies on Default.

(a) Whenever an Event of Default shall have occurred and be continuing, NDEQ or the Borrower shall have the right to take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and to become due or to enforce the performance and observance of any obligation or agreement of NDEQ or the Borrower (including, without limitation, withholding remaining Loan disbursements, cancellation of this Loan Agreement and acceleration of the remaining scheduled principal payments set forth on Attachment A, or such other remedies provided to NDEQ in the Act and the Regulations).

(b) If the Borrower fails to make any payment of principal and interest, late fee, and penalty interest imposed pursuant to this Loan within 60 days of the due dates specified in Section 2.05, the payment shall be deducted from the amount of aid to municipalities to which the Borrower is entitled under Neb. Rev. Stat. § 75-1503. Such amount shall be paid directly to the Loan Fund.

Section 5.03. Expenses.

(a) Upon the occurrence of an Event of Default on the part of the Borrower, and to the extent permitted by law, the Borrower shall, on demand, pay to NDEQ the reasonable fees and expenses incurred by NDEQ in the collection of Loan Repayments or any other sum due hereunder or in the enforcement of performance or observation of any other duties, covenants, obligations or agreements of the Borrower contained herein. Prior to incurring any such expenses, NDEQ shall provide written notice to the Borrower that it intends to incur such expenses; provided, however, a failure by NDEQ to give such notice shall not affect NDEQ's right to receive payment for such expenses. Upon request by the Borrower, NDEQ shall provide copies of statements evidencing the fees and expenses for which NDEQ is requesting payment.

(b) Upon the occurrence of an Event of Default on the part of NDEQ, and to the extent permitted by law and availability of appropriated funds by the Nebraska Legislature, NDEQ shall, on demand, pay to the Borrower the reasonable fees and expenses incurred by the Borrower in the enforcement of performance or observation of any other duties, covenants, obligations or agreements of NDEQ contained herein. Prior to incurring any such expenses, the Borrower shall provide written notice to NDEQ that it intends to incur such expenses; provided, however, a failure by the Borrower to give such notice shall not affect the Borrower's right to receive payment for such expenses. Upon request by NDEQ, the Borrower shall provide copies of statements evidencing the fees and expenses for which the Borrower is requesting payment.

Section 5.04. Application of Moneys. Any moneys collected by NDEQ pursuant to Section 5.02 or 5.03 hereof shall be applied (a) first, to pay interest on the Loan as the same becomes due and payable; (b) second, to pay principal due and payable on the Loan; (c) third, to pay expenses owed by the Borrower pursuant to Section 5.03 hereof; and (d) fourth, to pay any other amounts due and payable hereunder as such amounts become due and payable. To the extent that NDEQ's right to receive Loan Repayments is on a parity of lien basis with the lien of Existing Revenue Obligations or Additional Revenue Obligations on the Borrower's System Revenues, such moneys shall be applied pro rata to all such obligations.

Section 5.05. No Remedy Exclusive; Waiver; Notice. No remedy herein conferred upon or reserved to the parties hereto is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. The parties hereto, in good faith, shall exercise such remedies with due diligence in a timely manner, however, no delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the parties hereto to exercise any remedy reserved to them in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article V.

Section 5.06. Retention of Rights. Notwithstanding any assignment or transfer of this Loan Agreement pursuant to the provisions hereof, or anything else to the contrary contained herein, the parties hereto shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the defaulting party at law or in equity, as such party may, in its discretion, deem necessary to enforce the obligations of the defaulting party pursuant to this Loan Agreement.

Article VI

MISCELLANEOUS

Section 6.01. Hold Harmless Agreement. The State of Nebraska and NDEQ, and the officers, agents, and employees of each, shall have no responsibility or liability for the construction, operation and maintenance of the Project. The Borrower shall be responsible for such construction, operation and maintenance of the Project and shall assume responsibility for all Project Costs and any claims, demands, damages, losses, costs, expenses, or liability accruing or resulting to any and all contractors, subcontractors, employees, and any other person, firm, or corporation furnishing or supplying services, materials, or supplies in connection with construction of the Project, and for any and all claims, demands, damages, losses, costs, expenses, or liability occurring or resulting to any person, firm, or corporation, as a result of or incident to, either in whole or in part, whether directly or indirectly, the construction of the Project.

Section 6.02. Waivers. Any waiver at any time of rights or duties under this Loan Agreement shall not be deemed to be a waiver of any subsequent right or duty under this Loan Agreement.

Section 6.03. Amendments, Supplements and Modifications. This Loan Agreement may not be amended, supplemented, or modified except in writing signed by NDEQ and the Borrower.

Section 6.04. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower and NDEQ at the following addresses:

| | |
|-----------------|--|
| If to Borrower: | Papio-Missouri River Natural Resources District 8901 S. 154 th Street Omaha, NE 68138 Attention: General Manager |
|-----------------|--|

| | |
|-------------|--|
| If to NDEQ: | Department of Environmental Quality 1200 N Street, The Atrium, Suite 400 Post Office Box 98922 Lincoln, NE 68509-8922 |
|-------------|--|

All notices given by registered or certified mail as aforesaid shall be deemed duly given as of the date they are so mailed. Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

Section 6.05. Severability. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 6.06. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon NDEQ and the Borrower and their respective successors and assigns.

Section 6.07. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

Section 6.08. Governing Law and Regulations. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska, including the Act and the Regulations, which Regulations are, by this reference thereto, incorporated herein as a part of this Loan Agreement.

Section 6.09. Consents and Approvals. Whenever the written consent or approval of the State shall be required under the provisions of this Loan Agreement, such consent or approval may only be given by NDEQ.

Section 6.10. Further Assurances. The Borrower shall, at the request of NDEQ, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Loan Agreement.

Section 6.11. Notice to Trustee. Upon assignment of the Note to NIFA which may occur from time to time and thereafter, NDEQ shall deliver a notice of this Loan in the form prescribed by NIFA, and other pertinent information relating thereto, to the Trustee for any bonds of NIFA issued to fund deposits into the Loan Fund.

IN WITNESS THEREOF, the parties hereto have caused this Loan Agreement to be executed and delivered as of the date set forth below.

PAPIO-MISSOURI RIVER
NATURAL RESOURCES DISTRICT

NEBRASKA DEPARTMENT OF
ENVIRONMENTAL QUALITY

By _____

By _____

Title _____

Title Director

Date _____

Date _____

INDEX OF ATTACHMENTS

Exhibit 1 - Project Description

Attachment A - Loan Repayment Schedule

Attachment B - Project Costs and Projected Outlay Schedule

Attachment C - Financial Analysis

Attachment D - List of Federal Laws and Authorities

Attachment E - Borrower's Counsel's Opinion

Attachment F - Promissory Note

Attachment G - Certificate

Attachment H- Form of DEQ Request to the Trustee

Attachment I - Other Documents

EXHIBIT 1

PROJECT DESCRIPTION

The project to be funded by this DWSRF loan is the construction of approximately 5,525 linear feet of new 10 inch water main paralleling Hwy. 133 from County Rd 32 to Todd Drive. The new main will connect Lakeland Estates Water Company to the Washington County Rural Water District #2. The project will include appurtenances of a PRV vault and master meter at the connection point of Hwy 133 and Todd Drive. The project includes all related work, testing, County assessment charges, and engineering fees.

ATTACHMENT A

LOAN REPAYMENT SCHEDULE

Interest accruing and administrative fee due before June 15, 2017, which is not reflected on the following amortization schedule shall be billed and paid in accordance with NDEQ's procedures as in effect from time to time. Interest shall accrue at the applicable rate (set forth in Section 2.03 of the Contract for Loan) as to the amount drawn and outstanding from time to time during the payment period. The administrative fee at the applicable rate (set forth in Section 2.06 of the Loan Agreement) is due during the payment period on the Loan Amount outstanding on the date invoices are mailed. Payments are due on June 15 and December 15 of each year, with an estimated commencement of December 15, 2016. Amounts due will be billed on or about May 15 and November 15 of each year for each six-month payment period ending on the set interest payment date. Interest accruing and administrative fee due on any principal amounts drawn after the billing date are to be paid as an addition to the billing for the next interest payment period. Following the final disbursement of Loan proceeds to the Borrower and receipt of the Initiation of Operation date, a revised final Attachment A shall be prepared by NDEQ to establish the final debt service schedule based upon the following parameters set forth below. Such revised final Attachment A thereafter shall be deemed to be incorporated herein by reference and made a part hereof and shall supersede and replace the projected Attachment A.

The final Loan Repayment Schedule shall be calculated by NDEQ based on the following parameters:

- (1) final principal amount of Loan;
- (2) amount of Loan Forgiveness, if any;
- (3) interest rate as set forth in Section 2.03;
- (4) installments of principal and interest on each June 15 and December 15 payment date, (a) beginning on the latest such payment date that is within one year after the Initiation of Operation date but no later than three years after the date of the Loan Agreement, whichever occurs first and (b) ending on the latest such payment date that is less than 20 years after the Initiation of Operation date; and
- (5) amortization of principal to achieve level payments of principal and interest (not taking into account the administrative fee payment pursuant to Section 2.06).

ATTACHMENT B

PROJECT COSTS

| | |
|---------------------------|---------------|
| Administrative | \$ 10,000 |
| Land and Easements | 1,000 |
| A/E Fees | 12,000 |
| Inspection Fees | 12,800 |
| Construction | 226,363 |
| County Assessment Payment | 181,125 |
| Contingencies | <u>46,712</u> |
| TOTAL | \$490,000 |

PROJECT FUNDING SOURCES

| | |
|-------------------------|----------------|
| DWSRF Loan | \$350,000 |
| Lakeland Connection Fee | <u>140,000</u> |
| Total Funding | \$490,000 |

DWSRF PROJECTED OUTLAY SCHEDULE

| | |
|---------------|----------------|
| October 2016 | \$250,000 |
| November 2016 | <u>100,000</u> |
| TOTAL | \$350,000 |

ATTACHMENT C

FINANCIAL CAPABILITY

PAPIO-MISSOURI NATURAL RESOURCES DISTRICT, NEBRASKA DWSRF Project No. D311614

The Papio-Missouri Natural Resources District has requested DWSRF loan assistance of \$350,000 to finance the hookup of the Lakeland Estates Water Company to the Washington County Rural Water District #2 owned and operated by Papio-Missouri NRD. The project includes the construction of approximately 5,525 linear feet of connecting 10 inch water main and appurtenances. The project will include engineering and inspection fees.

An abbreviated financial analysis is presented. The documents reviewed and used to complete this analysis are:

1. Audited Financial Statements of the Papio-Missouri River Natural Resources District, for the years 2013 through 2015,
2. Water/Wastewater Preapplication for Federal/State Assistance,
3. Preliminary Engineering Report prepared by HDR plus miscellaneous correspondence from the Papio-Missouri River Natural Resources District in project file.

Table 1
Washington County RWD (No. 1 & 2 combined) Water System Account Summary

| Year | Revenue (includes interest income) | Expenses (excludes depreciation) | Revenue Minus Expenses |
|------|------------------------------------|----------------------------------|------------------------|
| 2013 | \$646,384 | \$620,321 | \$26,063 |
| 2014 | \$720,068 | \$819,006 | -\$98,938* |
| 2015 | \$633,047 | \$679,840 | -\$46,793* |

Footnotes

*Expenses for fiscal year 2014 included certain extraordinary one-time, non-recurring expenditures, including (a) approximately \$120,055 in unbudgeted construction costs in 2014 necessitated by a water main relocation required for County Road P32 construction, (b) approximately \$90,596 in legal fees relating to litigation over the Water Supply Agreement with the City of Fort Calhoun.

*Expenses for fiscal year 2015 included certain extraordinary one-time, non-recurring expenditures, including approximately \$43,934 in legal fees relating to litigation over the Water Supply Agreement with the City of Fort Calhoun.

Papio-Missouri Natural Resources District as reported on the State of Nebraska's Public Auditor's website as of July 1, 2016 has \$65,200,000 outstanding principal debt, \$108,580 outstanding interest debt for a total outstanding debt of \$65,308,580. As reported in the 2014-2015 State of Nebraska Adopted Budget Forms was \$4,528,985 in Debt Service: Bond Principal and Interest Payments. Another \$2,027,498 was reported for other Debt Service.

Long-Term Debt summary

Table 2
The Long-Term Debt Summary of changes
from fiscal year ending September 30, 2015 below:

| | Wash Co. Rural Water Business-Type Activities |
|--|---|
| | Water Revenue Bonds |
| Debt payable 10/1/14 | \$2,087,510 |
| New Debt issued | \$0 |
| Debt retired from Debt Service Fund | \$0 |
| Debt retired from General Fund | \$312,257 |
| Long-term debt payable September 30, 2015 | \$1,775,253 |

The Annual Debt Service Requirements to amortize all long-term debt are shown in Table 3.

Table 3
Annual Debt Service Requirements to amortize all long-term debt outstanding
as of September 30, 2015, are as follows:

| Yr. ending Sept 30 | Principal | Interest | Loan Payable |
|--------------------|-----------|-----------|--------------|
| 2015 | \$312,257 | \$84,992 | \$397,249 |
| 2016 | \$68,399 | \$73,392 | \$141,792 |
| 2017 | \$68,000 | \$72,787 | \$140,787 |
| 2018 | \$73,000 | \$70,795 | \$143,795 |
| 2019 | \$73,000 | \$69,395 | \$142,395 |
| Total | \$594,656 | \$371,362 | \$966,018 |

Table includes debt payments for the water system's 2011A Bonds and a bank loan through Washington County Bank. Principal and interest payments for 2018 and 2019 are estimated for the Washington County Bank Loan since the rate will be renegotiated in June of 2017. Estimate is based on current loan terms with approximately \$23,000 in annual principal payments and \$20,000 in annual interest payments.

Analysis of the Water Utility:

The Papio-Missouri River Natural Resources District manages their water utility. The water utility ran operating surpluses for the year 2013. The water system experienced unordinary expenses in 2014 and 2015 as a result of litigation with the City of Fort Calhoun. Starting in FY2018, the District expects an operating surplus in excess of \$50,000 as a result of the Lakeland Connection Project. Washington Co. RWD#1 and #2 number of users is estimated at 910 households and a wholesale customer of the City of Fort Calhoun. The Washington County Rural Water System #2 current water user charge is a metered rate of \$25.00 per month base plus \$4.95 per 1,000 gallons use. Lakeland Estates number of users is estimated at 525 households, their current residential water rate is \$10.00 base per month with a usage charge of \$3.00 per 1,000 gallons use. Lakeland Estates will be assessed the debt service cost of the connection to Washington Co. RWD#2. The bulk charge to Lakeland Estates would be projected at \$2.10 per 1,000 gallons bulk rate per month plus a monthly base fee of \$1,100 to Lakeland Estates Water Company which will be passed along to the Lakeland Estates users. The estimated Lakeland Estates residential water rate increase to fund this project with 10% coverage on DWSRF debt service would be \$18.00 per month. For a typical household water use of 8,000 gallons per month the projected water rate

would total \$50.80 per month. A final assessment of revenues and costs will be analyzed to determine the actual user charge adjustment as necessary. Monthly water bills would vary accordingly for actual monthly water use for each service connection. The Papio-Missouri NRD is eligible for a 20-year DWSRF loan at a per annum interest rate of 2.0 percent plus an annual 1.0 percent administrative fee on the outstanding principal amount. The DWSRF loan funding assistance of \$350,000 which would have an annual debt service of \$23,917 plus the DWSRF contract required 10% coverage or \$2,392 for delinquency or loss of users as shown in Table 4 totals \$38,945 for the first year debt service including coverage.

Table 4

Proposed DWSRF Loan #D311614 of \$500,000 Principal

| DWSRF Base Program Loan Term (years) | Interest Rate | First Year Payment | First Year Payment + 10% Coverage |
|--------------------------------------|--|--------------------|-----------------------------------|
| 20 | 2.0% + 1.0% admin fee on outstanding principal balance | \$23,917 | \$26,309 |

The proposed 20 year DWSRF loan of \$350,000 annual principal and interest would be \$21,319. Principal and Interest repayments of SRF loans are protected by intercept statute Neb. Rev. Stat. §75-1503, which allow the Department to recover delinquent loan payments by intercepting state funds that are paid to the Papio-Missouri River Natural Resources District.

The projected monthly water rate utilizing the estimated household water use of 8,000 gallons equals \$50.80 or \$609.60 annually. This projected household water rate total is 0.89% of Washington County's 2014 median household income of \$68,207 and is below EPA's 2.5% upper level of water rate affordability.

ATTACHMENT D

LIST OF FEDERAL LAWS AND AUTHORITIES

ENVIRONMENTAL:

- Archeological and Historical Preservation Act of 1974, PL 93-291, 16 U.S.C. §469a-1
- Clean Air Act, PL 95-95, as amended, 42 U.S.C. 7506(c)
- Coastal Barrier Resources Act, PL 97-348, 96 Stat. 1653, 16 U.S.C. 3501 et seq.
- Coastal Zone Management Act of 1972, PL 92-583, as amended, 16 U.S.C. §1451 et seq.
- Endangered Species Act, PL 93-205, as amended, 16 U.S.C. 1531, et seq.
- Essential Fish Habitat Consultation Process Under the Magnuson-Stevens Fishery Conservation and Management Act, PL 94-265, as amended, 16 U.S.C. §1801 et seq.
- Executive Order 11988, Floodplain Management, as amended; Executive Order No. 12148, as amended
- Executive Order 11990, Protection of Wetlands, as amended; Executive Order No. 12608, as amended
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, as amended
- Farmland Protection Policy Act, PL 97-98, 7 U.S.C. §4201 et seq.
- National Environmental Policy Act, PL 91-190, 42 U.S.C. §4321 et seq.
- National Historic Preservation Act of 1966, PL 89-665, as amended, 16 U.S.C. §740 et seq.
- Safe Drinking Water Act, as amended, PL 93-523, as amended, 42 U.S.C. 300f et seq.
- U.S. Fish & Wildlife Service National Wetlands Inventory
- Wild and Scenic Rivers Act, PL 90-542, as amended, 82 Stat. 913, 16 U.S.C. §1271 et seq.

ECONOMIC:

- Demonstration Cities and Metropolitan Development Act of 1966, PL 89-754, as amended, 42 U.S.C. §3331 et seq.
- Executive Order 12549, Debarment and Suspension, as amended
- Executive Order 13202, as amended; Executive Order 13208, as amended
- Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act, with Respect to Federal Contracts, Grants, or Loans, as amended
- Uniform Relocation and Real Property Acquisition Policies Act of 1970, PL 91-646, as amended, 42 U.S.C. §§4601-4655

SOCIAL LEGISLATION:

- Age Discrimination Act, PL 94-135, 42 U.S.C. §6102
- Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, PL 102-389
- Executive Order 11246, Equal Employment Opportunity, as amended
- Executive Orders 11625, 12138, and 12432 Women's and Minority Business Enterprise, as amended
- Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, PL 100-590
- Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. §794
- Section 13 of the Federal Water Pollution Control Act Amendments of 1972, 33 U.S.C. §1251
- Title VI of the Civil Rights Act of 1964, PL 88-352, 42 U.S.C. §200d

MISCELLANEOUS AUTHORITY:

- Nebraska Drinking Water State Revolving Loan Fund #FS - 997805

*The list of Federal Laws and Authorities is based upon the EPA's listing of "Additional information on Cross-Cutting Federal Authorities" (http://water.epa.gov/grants_funding/dwsrf/xcuts.cfm) and the EPA's "Cross-Cutting Federal Authorities: A Handbook on Their Application in the Clean Water and Drinking Water State Revolving Fund Programs" (October 2013; <http://www2.epa.gov/sites/production/files/2015-08/documents/crosscutterhandbook.pdf>) as of October 12, 2015. This list is subject to change based upon the federal authorities of the EPA.

ATTACHMENT E

FORM OF BORROWER'S COUNSEL OPINION

[USE BORROWER COUNSEL'S LETTERHEAD]

[Date]

[NOTE: Any of the opinions given below may be given in reliance upon the opinion of another Bond Counsel, and one Bond Counsel may give some of the opinions and another Bond Counsel may give others.]

Nebraska Department of Environmental Quality
Suite 400
1200 N Street, The Atrium
Post Office Box 98922
Lincoln, NE 68509-8922
Attention: Water Quality Division

Ladies and Gentlemen:

[I/We] have acted as [Bond] Counsel in connection with the execution and delivery by **[NAME OF Natural Resources District]**, a **[TYPE OF ENTITY]**, of a Loan Agreement No. D311614 (the "Loan Agreement") between the Borrower and the Nebraska Department of Environmental Quality ("NDEQ") and the issuance of a promissory note (the "Note") by the Borrower to NDEQ. All terms used in this opinion letter and not defined shall have the meanings given to them in the Loan Agreement.

In this connection, **[I/we]** have examined the following:

- PURSUANT**
- (a) Certified copies of the **[DESCRIBE RESOLUTION AND/OR ORDINANCE TO WHICH LOAN AGREEMENT AND NOTE ARE TO BE ENTERED INTO]**;
 - (b) An executed counterpart of the Loan Agreement;
 - (c) The executed Note; and
 - (d) Such other documents as **[I/we]** deemed relevant and necessary in rendering this opinion.

As to questions of fact material to **[my/our]** opinion, **[I/we]** have relied upon the certified proceedings and other certifications of public officials furnished to **[me/us]** without undertaking to verify the same by independent investigation.

Based upon the foregoing **[I am/we are]** of the opinion that:

1. The Borrower is a **[VILLAGE, CITY, SID OR OTHER]** duly organized and validly existing under the laws of the State of Nebraska.
2. The Borrower is a governmental unit, as such term is used in Section 141(b)(6) of the Internal Revenue Code of 1986, as amended.
3. The Borrower has the power and authority to enter into the Loan Agreement, to issue the Note, to borrow the entire principal amount provided for in Section 2.01 of the Loan Contract (the "Loan Amount") and to perform its obligations under the Loan Agreement and the Note.

4. The Loan Agreement and the Note have been duly authorized, executed and delivered by the Borrower and are, and would be if the entire Loan Amount were advanced to the Borrower pursuant to the Loan Agreement on the date of this opinion, valid and legally binding special obligations of the Borrower, payable solely from the sources provided therefor in the Loan Agreement, enforceable in accordance with their respective terms, except to the extent that the enforceability thereof may be limited by laws relating to bankruptcy, insolvency or other similar laws affecting creditors' rights generally and general principles of equity.

5. Pursuant to Neb. Rev. Stat. §§2-3226 and 10-1101 et seq., the Loan Agreement creates a valid lien on the funds pledged by the Borrower pursuant to Section 3.02 of the Loan Agreement for the security of the Loan Agreement and the Note and no other debt of the Borrower is secured by a superior lien on such funds.

6. The Borrower has obtained or made all approvals, authorizations, consents or other actions of, and filings, registrations or qualifications with, the Borrower or any other government authority which are legally required to allow the Borrower to enter into and perform its obligations under the Loan Agreement and the Note and borrow the full Loan Amount pursuant to the Loan Agreement and the Note.

It is to be understood that the rights of the holder of the Note and the Loan Agreement and the priorities and enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, extension, compromise and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and that their priorities and enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion letter, and the opinion expressed in it, are intended only for the benefit of the addressees identified on the first page hereof. No other person may rely on any opinion expressed without our prior written authorization.

Very truly yours,

ATTACHMENT F

PROMISSORY NOTE OF PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT, NEBRASKA

FOR VALUE RECEIVED, the undersigned (the "Borrower") promises to pay, but solely from the sources described herein, to the order of the Nebraska Department of Environmental Quality ("NDEQ"), or its successors and assigns, the principal sum of not to exceed \$350,000 to the extent disbursed pursuant to Section 2.01 and Section 2.04 of the Loan Agreement No. D311614 ("the Loan Agreement"), with interest on each such amount until paid, as provided in Section 2.03 of the Loan Agreement between NDEQ and the Borrower. In addition, the Borrower shall pay an Administrative Fee on the outstanding principal amount of this Note at the rate of 0.75% per annum as provided in the Loan Agreement. The said principal and interest and Administrative Fee shall be payable in semiannual installments each payable on December 15 and June 15 of each year in accordance with Section 2.05 of the Loan Agreement. Each installment shall be in the amount set forth opposite its due date in Attachment A to the Loan Agreement. The Borrower shall pay any penalty or additional interest due pursuant to Section 2.05(d) of the Loan Agreement.

All payments under this Note shall be payable at the offices of NDEQ in Lincoln, Nebraska, and upon the assignment of this Note to NIFA, at the principal corporate trust office of a Trustee designated by NIFA, or such other place as NDEQ may designate in writing.

This Note is issued pursuant to and is secured by the Loan Agreement and Resolution No. _____ of the Borrower (the "Resolution"), the terms and provisions of which are incorporated herein by reference.

All payments of principal of and interest on this Note and other payment obligations of the Borrower hereunder shall be limited obligations of the Borrower payable solely out of the System Revenues (as defined in the Loan Agreement) on a parity with revenue bonds issued pursuant to the Existing Revenue Obligations Authorizing Resolution (as defined in the Loan Agreement) and other revenue bonds now or hereafter outstanding as permitted under the terms of said Resolutions, and shall not be payable out of any other revenues of the Borrower. The obligations of the Borrower under this Note shall never constitute or give rise to a charge against its general credit or taxing power. This note shall not be a debt of the Borrower within the meaning of any constitutional, statutory or charter limitation upon the creation of general obligation indebtedness of the Borrower.

If default be made in the payment of any installment due under this Note or by the occurrence of any one or more of the Events of Default specified in Article V of the Loan Agreement and if such Event of Default is not remedied as therein provided, or failure to comply with any provision of the Resolution No. _____, NDEQ then, or at any time thereafter, may give notice to the Borrower that all unpaid amounts of this Note then outstanding, together with all other unpaid amounts outstanding under the Loan Agreement, are due and payable immediately, and thereupon, without further notice or demand, all such amounts shall become and be immediately due and payable in accordance with and subject to the terms of the Loan, Agreement and Resolution. Failure to exercise this option shall not constitute a waiver of the right to exercise the same at any time in the event of any continuing or subsequent default.

The Borrower hereby waives presentment for payment, demand, protest, notice of protest and notice of dishonor.

This Note and all instruments securing the same are to be construed according to the laws of the State of Nebraska. Signed and sealed this ____th day of November, 2016.

[SEAL]

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT, NEBRASKA

By

Attest

Title

Clerk

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

By

Title

Director

Date

Pursuant to the Pledge Agreement dated as of _____ as amended (the "Pledge Agreement"), by and between NDEQ and the Nebraska Investment Finance Authority ("NIFA"), and the _____ dated as of _____, as supplemented and amended, by and between NIFA _____, as trustee, NDEQ hereby assigns, grants and conveys any and all of NDEQ's rights, title and interest in this Note to NIFA, except as provided in the Pledge Agreement, and NIFA hereby assigns such rights, title and interest to the Trustee and any successor Trustee.

NEBRASKA INVESTMENT FINANCE AUTHORITY

By

Title

Attest

Date

ATTACHMENT G

**CERTIFICATE OF PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT,
NEBRASKA**

The following certifications are made in connection with the Loan Agreement No. D311614, (the "Loan Agreement") between the Nebraska Department of Environmental Quality ("NDEQ") and Papio-Missouri Natural Resources District, Nebraska (the "Borrower") for the purpose of establishing compliance by the Borrower with requirements for the maintenance of the tax exemption of interest on any bonds (the "Bonds") which may be from time to time issued by the Nebraska Investment Finance Authority ("NIFA") to provide funds for deposit in the Loan Fund (as defined in the Loan Contract).

WHEREFORE, the undersigned hereby certifies on behalf of the Borrower to NDEQ, and any trustee for the Bonds, as follows:

1. The undersigned is authorized to make the following certifications on behalf of the Borrower.
2. The Borrower represents that it reasonably expects that the design and construction of the Project, as defined in the Loan Agreement, will commence within six months from the execution of the Loan Agreement and that the design and construction of the Project will proceed with due diligence thereafter to completion.
3. The proceeds of the loan pursuant to the Loan Agreement will be used to construct a facility that will be owned and operated by the Borrower. There will be no contracts for the use of the facility other than contracts on a rate scale basis. Specifically, the Borrower represents that there will be no contracts for use of the Project that will require a non-governmental unit to make payments to the Borrower without regard to actual use of the Project.

Dated this ____ day of November, 2016.

PAPIO-MISSOURI RIVER NATURAL RESOURCES
DISTRICT, NEBRASKA

By

Title _____

ATTACHMENT H
ADDITIONAL COVENANTS AND REQUIREMENTS

***Agenda Item 11. – Washington County Rural Water System 2011A Bonds and Washington County Bank Loan Refinancing**

Recommendation that the General Manager be authorized to execute the refinancing of the former Washington County Rural Water System #2's 2011A and Washington County Bank Loan, and that the following Resolution be adopted:

CALL RESOLUTION
(2011A BONDS)

BE IT RESOLVED by the Board of Directors (the "Board") of the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "District"), as follows:

Section 1. The following obligations of the District, in accordance with their option provisions are hereby authorized to be called for redemption on a date to be determined as provided in a Direction for Call (as defined below):

Water Project Revenue Refunding Bonds (Washington County Rural Water Project No. 2), Series 2011A, in the principal amount of One Million Two Hundred Thousand Dollars (\$1,200,000), numbered as shown on the books of the Paying Agent and Registrar, in denomination of \$5,000 each, becoming due and bearing interest as follows:

| <u>Principal Amount</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>CUSIP No.</u> |
|-------------------------|----------------------|----------------------|------------------|
| \$140,000* | June 15, 2018 | 2.80% | 69887E CC4 |
| 100,000 | June 15, 2020 | 3.30 | 69887E CD2 |
| 110,000 | June 15, 2022 | 3.70 | 69887E CE0 |
| 115,000 | June 15, 2024 | 4.00 | 69887E CF7 |
| 125,000 | June 15, 2026 | 4.30 | 69887E CG5 |
| 140,000 | June 15, 2028 | 4.50 | 69887E CH3 |
| 515,000 | June 15, 2032 | 5.00 | 69887E CJ9 |

*\$95,000 outstanding after payment of 6/15/16 sinking fund installment.

Said bonds are hereinafter referred to as the "Refunded Bonds." The Refunded Bonds are subject to redemption at any time on or after June 10, 2016, at par and accrued interest.

Section 2. The Refunded Bonds are to be paid at the office of First National Bank of Omaha, Fremont, Nebraska (successor to The Fremont National Bank and Trust Company, in Fremont, Nebraska), as paying agent and registrar (the "Paying Agent").

Section 3. The Chairperson, Vice Chairperson, Treasurer and/or General Manager of the District, or any other officer designated by one of such officers (each, an "Authorized Officer") are each individually hereby authorized at any time on or after the date of this resolution to direct the redemption of the Refunded Bonds and to determine on behalf of the District the date on which the Refunded Bonds are to be called for redemption (the "Call Date") and such direction and determination, when made in writing (the "Direction for Call"), shall constitute the action of

the District without further action of the Board. The Direction for Call shall include a description of that portion of the Refunded Bonds called for redemption as determined appropriate by the Authorized Officers. The Call Date shall be set for any date prior to March 31, 2017, and after such date the Authorized Officers shall have no authority to make any such determination hereunder without further action of the Board and this resolution shall be of no further force and effect.

Section 4. An executed Direction for Call shall be filed with the Paying Agent, whereupon the Paying Agent shall mail notice to each registered owner of the Refunded Bonds not less than thirty (30) days prior to the date fixed for redemption, all in accordance with the resolution authorizing the issuance of the Refunded Bonds.

ADOPTED October 13, 2016.

Secretary

Chairperson

The motion for adoption was seconded by Board Member _____. The Chairperson then stated the question was, "Shall this Resolution be passed and adopted?" Upon roll call vote, the following Board Members voted YEA: _____

_____ ; the following voted NAY: _____.

The passage and adoption of said resolution having been concurred in by two thirds of all members of the Board, the Chairperson declared the resolution adopted and the Chairperson, in the presence of the Board of Directors, signed and approved the resolution and the Secretary attested the passage and approval of the same and affixed his signature thereto.

Board Member _____ then introduced the following resolution and moved its adoption:

CALL RESOLUTION
(2014 BOND)

BE IT RESOLVED by the Board of Directors (the "Board") of the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "District"), as follows:

Section 1. The following obligations of the District, in accordance with their option provisions are hereby authorized to be called for redemption on a date to be determined as provided in a Direction for Call (as defined below):

Junior Lien Water Project Revenue Refunding Bond (Washington County Rural Water Project), Series 2014, issued in the original principal amount of \$550,000.

Said bond is hereinafter referred to as the "Refunded Bond." The Refunded Bond is subject to redemption and prepayment at any time, at par and accrued interest.

Section 2. The Refunded Bond is to be paid at the office of the Treasurer of the District, as paying agent and registrar (the "Paying Agent").

Section 3. The Chairperson, Vice Chairperson, Treasurer and/or General Manager of the District, or any other officer designated by one of such officers (each, an "Authorized Officer") are each individually hereby authorized at any time on or after the date of this resolution to direct the redemption and repayment of the Refunded Bond and to determine on behalf of the District the date on which the Refunded Bond is to be redeemed and prepaid (the "Call Date") and such direction and determination, when made in writing (the "Direction for Call"), shall constitute the action of the District without further action of the Board. The Direction for Call shall include a description of the portion of the Refunded Bond called for redemption as determined appropriate by the Authorized Officers. The Call Date shall be set for any date prior to March 31, 2017, and after such date the Authorized Officers shall have no authority to make any such determination hereunder without further action of the Board and this resolution shall be of no further force and effect.

Section 4. An executed Direction for Call shall be filed with the Paying Agent, whereupon the Paying Agent shall mail notice to each registered owner of the Refunded Bond not less than thirty (30) days prior to the date fixed for redemption, all in accordance with the resolution authorizing the issuance of the Refunded Bond. Each Authorized Officer may also give any other notice or take any other action required by the holder of the Refunded Bond in connection with the redemption and prepayment thereof.

ADOPTED this October 13, 2016.

Secretary

Chairperson

The motion for adoption was seconded by Board Member _____. The Chairperson then stated the question was, "Shall this Resolution be passed and adopted?" Upon roll call vote, the following Board Members voted YEA: _____

_____;
_____; the following voted NAY: _____. The passage and adoption of said resolution having been concurred in by two thirds of all members of the Board, the Chairperson declared the resolution adopted and the Chairperson, in the presence of the Board of Directors, signed and approved the resolution and the Secretary attested the passage and approval of the same and affixed his signature thereto.

Board Member _____ then introduced the following resolution and moved its adoption:

RESOLUTION AUTHORIZING ISSUANCE OF SERIES 2016A REFUNDING BONDS
(REFUNDING OF SERIES 2011A AND 2014 BONDS)

BE IT RESOLVED by the Board of Directors (the "Board") of the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "District"), as follows:

Section 1. Findings and Determinations. The Board hereby finds and determines as follows:

(a) pursuant to Sections 2-3252 to 2-3255, R.R.S. Neb., as amended, the District previously established improvement project areas designated Washington County Rural Water Project No. 1 ("WC Project No. 1") and Washington County Rural Water Project No. 2 ("WC Project No. 2") to serve portions of Washington County; and

(b) the District has constructed rural water system improvements to serve WC Project No. 1 (such improvements, as presently existing and all additions, extensions and improvements thereto hereafter constructed by the District to serve WC Project No. 1 and for which revenue bonds may be issued under the terms of Section 2-3226, R.R.S. Neb., as amended [the "Act"] being herein referred to and collectively designated as the "WC1 Water System"), and has constructed rural water system improvements to serve WC Project No. 2 (such improvements, as presently existing and all additions, extensions and improvements thereto hereafter constructed by the District to serve WC Project No. 2 and for which revenue bonds may be issued under the terms of the Act, being herein referred to and collectively designated as the "WC2 Water System"); and

(c) the District has issued and there are now outstanding its Water Project Revenue Refunding Bonds (Washington County Rural Water Project No. 2), Series 2011A (the "2011A Bonds") presently outstanding in the principal amount of \$1,200,000, maturing on June 15 of the years 2018 through 2032, inclusive, and in connection with the issuance of the 2011A Bonds the revenues of the WC2 Water System were pledged for repayment of the 2011A Bonds; and

(d) the District has issued and there is now outstanding its Junior Lien Water Project Revenue Refunding Bond (Washington County Rural Water Project), Series 2014 (the "2014 Bond"), and in connection with the issuance of the 2014 Bond the revenues of the WC2 Water System were pledged for repayment of the 2014 Bond; and

(e) the District has taken actions to extend the boundaries of both the WC1 Water System and the WC2 Water System and to effect a financial merger of the WC1 Water System and the WC2 Water System into a combined service area (together, the "Water System"); and

(f) the Water System constitutes and is determined to be a revenue producing facility for which revenue bonds may be issued under the terms of the Act; and

(g) the 2011A Bonds are subject to redemption at any time on or after June 10, 2016, and by resolution of this Board adopted contemporaneously with this resolution

(the "2011A Call Resolution"), the 2011A Bonds maturing June 15 in the years 2018 through and including 2032 (the "2011A Refunded Bonds") have been authorized to be called for redemption on such date as determined by an authorized officer of the District (the "2011A Redemption Date"); and

(h) the 2014 Bond is subject to redemption at any time, and by resolution of this Board adopted contemporaneously with this resolution (the "2014 Call Resolution"), the 2014 Bond has been authorized to be called for redemption on such date as determined by an authorized officer of the District (the "2014 Redemption Date" and together with the 2011A Redemption Date, the "Redemption Date"); and

(i) other than the 2011A Bonds and the 2014 Bonds (together, the "Refunded Bonds"), there is presently no indebtedness of the District for which the revenues of the Water System have been pledged; and

(j) in connection with certain improvements to the Water System (the "NDEQ Project"), the District intends to issue contemporaneously with the issuance of the Bonds authorized herein its Water System Revenue Bond, Series 2016B (issued as a single promissory note to the Nebraska Department of Environmental Quality) (the "2016B Bond"), which is to be secured by a lien upon and a pledge of the revenues of the Water System on an equal and ratable basis with the Bonds herein authorized; and

(k) all conditions required to exist or to be done precedent to the issuance of the Water System Revenue Refunding Bonds, Series 2016A, herein authorized pursuant to the Act in the principal amount of not to exceed \$2,000,000 do exist and have been done.

Section 2. Defined Terms. In addition to the definitions provided in parentheses elsewhere in this Resolution, the following definitions of terms shall apply, unless the context shall clearly indicate otherwise:

(a) The term "Additional Bonds" shall mean any and all bonds hereafter issued by the District pursuant to the terms of this Resolution which are equal in lien to the Bonds and the 2016B Bond, including all such bonds issued pursuant to Section 15 and refunding bonds issued pursuant to Section 16.

(b) The term "Average Annual Debt Service Requirements" shall mean that number computed by adding all of the principal and interest due when computed to the absolute maturity of the bonds for which such computation is required and dividing by the number of years remaining that the longest bond of any issue for which such computation is required has to run to maturity. In making such computation, (i) the principal of any bonds for which mandatory redemptions are scheduled shall be treated as maturing in accordance with such schedule of mandatory redemptions and (ii) the principal of the final maturity of any bonds for which a sub-account has been established in the Debt Service Reserve Account shall be treated as reduced by the amount required to be held in such sub-account, so long as the amounts in such sub-account are required to be applied to payment of the final principal maturity of such bonds at maturity.

(c) The term "Deposit Securities" shall mean obligations of the United States of America, direct or unconditionally guaranteed, including any such obligations issued in book entry form.

(d) The term "Net Revenues" shall mean the revenues (as defined below), not including any income from the sale or other disposition of any property belonging to or forming a part of the Water System, less the ordinary expenses for operating and maintaining the Water System payable from the Operation and Maintenance Account described in Section 13 of this Resolution. Operation and Maintenance expenses for purposes of determining "Net Revenues" shall not include depreciation, amortization of financing expenses or interest on any bonds or other indebtedness. Net Revenues for all purposes of this Resolution shall be shown by an audit for the fiscal year in question as conducted by an independent certified public accountant or firm of such accountants, provided that if (a) such audit has not yet been completed and (b) a period of not more than 120 days have elapsed from the ending date of such fiscal year, then the Net Revenues may be shown by the audit report for the fiscal year immediately preceding the fiscal year in question and confirmation given by the District's Treasurer that the unaudited information then available to the District for the fiscal year in question, if used as the basis for determining Net Revenues, would not result in a showing of Net Revenues insufficient to meet the test or tests for which Net Revenues are being determined.

(e) The term "Paying Agent and Registrar" shall mean the financial institution appointed to act as paying agent and registrar for the Bonds pursuant to Section 4 hereof, or any successor thereto.

(f) The term "revenues" shall mean all of the rates, rentals, fees and charges, earnings and other monies, including investment income, from any source derived by the District through its ownership and operation of the Water System, including any and all payments to be received by the District for such system under the terms of interlocal agreements related thereto.

Section 3. Authorization of Bonds. To provide for prepayment and redemption of the Refunded Bonds as described in Section 1 hereof and to pay costs of issuance, there shall be and there are hereby ordered issued negotiable bonds of the District to be designated as "Water System Revenue Refunding Bonds, Series 2016A" (the "Bonds") in the aggregate principal amount of not to exceed Two Million Dollars (\$2,000,000). The Bonds shall bear interest at the rates per annum and mature on the dates and in such amounts as shall be determined in a written designation (the "Designation") signed by the Chairperson, Vice Chairperson, Treasurer and/or General Manager of the District, or any other officer designated by one of such officers (each, an "Authorized Officer") on behalf of the Board and which may be agreed to by D.A. Davidson & Co. (the "Underwriter"), which Designation may also determine or modify the series designation, principal amount for each maturity, redemption provisions, pricing and sale terms, and other terms applicable to the Bonds, all within the following limitations:

(a) the aggregate stated principal amount of the Bonds shall not exceed the amount set forth above in this Section 3;

(b) the bonds may be sold bearing original issue premium or discount; provided that the aggregate amount of original issue premium and original issue discount (if any) results in net proceeds sufficient to accomplish the intended refunding;

(c) the longest maturity of the Bonds may not be later than December 31, 2036;

(d) the true interest cost of the Bonds shall not exceed 3.75% per annum;

(e) the Bonds shall bear interest at such rates per annum so that debt service payable on the Bonds provides at least a net present value savings to the District over the debt service payable on the Refunded Bonds in an amount satisfactory to the Board, taking into account other contractual and restructuring advantages to the District (the execution of the Designation by an Authorized Officer shall be conclusive evidence that such net present value savings and other advantages are satisfactory to the Board);

(f) two or more of the principal maturities may be combined and issued as "term bonds" and the Authorized Officer may determine the mandatory sinking fund payments and mandatory redemption amounts; any Bonds issued as "term bonds" shall be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of redemption and may be selected for redemption by any random method of selection determined appropriate by the Registrar (as hereinafter designated) or by the Depository (as hereinafter designated).

The Authorized Officers (or any one of them) are hereby authorized to make such determinations on behalf of the Board and to evidence the same by execution and delivery of the Designation and such determinations, when made and agreed to by the Underwriter, shall constitute the action of the District without further action of the Board.

The Bonds shall be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The date of original issue of the Bonds shall be the date of delivery thereof. Interest on the Bonds, at the respective rate for each maturity, shall be payable semiannually on June 15 and December 15 of each year commencing December 15, 2016 (or such other dates as may be determined in the Designation, each an "Interest Payment Date"), and the Bonds shall bear such interest from the date of original issue or the most recent Interest Payment Date to which interest has been paid or provided for, whichever is later. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The interest due on each Interest Payment Date shall be payable to the registered owners of record as of the fifteenth day immediately preceding the Interest Payment Date (or such other date as may be determined in the Designation, the "Record Date"), subject to the provisions of Section 5 hereof. The Bonds shall be

numbered from 1 upwards in the order of their issuance. No Bond shall be issued originally or upon transfer or partial redemption having more than one principal maturity. The initial bond numbering and principal amounts for each of the Bonds issued shall be as directed by the initial purchaser thereof. Payments of interest due on the Bonds prior to maturity or earlier redemption shall be made by the Paying Agent and Registrar as designated pursuant to Section 4 hereof, by mailing a check or draft in the amount due for such interest on each Interest Payment Date to the registered owner of each Bond, as of the Record Date for such Interest Payment Date, to such owner's registered address as shown on the books of registration as required to be maintained in Section 4 hereof. Payments of principal due at maturity or at any date fixed for redemption prior to maturity together with any unpaid interest accrued thereon shall be made by the Paying Agent and Registrar to the registered owners upon presentation and surrender of the Bonds to the Paying Agent and Registrar. The District and the Paying Agent and Registrar may treat the registered owner of any Bond as the absolute owner of such Bond for the purpose of making payments thereon and for all other purposes and neither the District nor the Paying Agent and Registrar shall be affected by any notice or knowledge to the contrary whether such Bond or any installment of interest due thereon shall be overdue or not. All payments on account of interest or principal made to the registered owner of any Bond in accordance with the terms of this Resolution shall be valid and effectual and shall be a discharge of the District and the Paying Agent and Registrar, in respect of the liability upon the Bonds or claims for interest to the extent of the sum or sums so paid.

Section 4. Paying Agent and Registrar; Registration and Transfer of Bonds. First National Bank of Omaha (or such other entity as appointed by the District in the Designation, the "Paying Agent and Registrar") is hereby designated to serve as Paying Agent and Registrar for the Bonds. Said Paying Agent and Registrar shall serve in such capacities under the terms of an agreement entitled "Paying Agent and Registrar's Agreement" between the District and said Paying Agent and Registrar. Any Authorized Officer is hereby authorized to execute and deliver a Paying Agent and Registrar's Agreement with said Paying Agent and Registrar, in substantially the form presented in connection with the adoption of this Resolution but with such changes as such officers shall deem appropriate or necessary on behalf of the District. The Paying Agent and Registrar shall keep and maintain for the District books for the registration and transfer of the Bonds at its principal corporate trust office (located initially as provided in the Paying Agent and Registrar's Agreement, but subject to change upon written notice from the Paying Agent and Registrar to the District and all registered owners of the Bonds, the "Designated Office"). The names and registered addresses of the registered owner or owners of the Bonds shall at all times be recorded in such books. Any Bond may be transferred pursuant to its provisions at the Designated Office of said Paying Agent and Registrar by surrender of such Bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to said Paying Agent and Registrar, duly executed by the registered owner in person or by such owner's duly authorized agent, and thereupon the Paying Agent and Registrar, on behalf of the District, will deliver at the Designated Office (or send by registered mail to the transferee owner or owners thereof at such transferee owner's or owners' risk and expense), registered in the name of the transferee owner or owners, a new Bond or Bonds of the same series, interest rate, aggregate principal amount and maturity. To the extent of the denominations authorized for the Bonds by this Resolution, one Bond may be transferred for several such Bonds of the same series, interest rate and maturity, and for a like aggregate principal amount, and several such Bonds may be transferred for one or several such Bonds, respectively, of the same series, interest rate and maturity and for a like aggregate principal amount. In every case

of transfer of a Bond, the surrendered Bond shall be canceled and destroyed. All Bonds issued upon transfer of the Bonds so surrendered shall be valid obligations of the District evidencing the same obligations as the Bonds surrendered and shall be entitled to all the benefits and protection of this Resolution to the same extent as the Bonds upon transfer of which they were delivered. The District and said Paying Agent and Registrar shall not be required to transfer any Bond during any period from any Record Date until its immediately following Interest Payment Date or to transfer any Bond called for redemption for a period of 30 days next preceding the date fixed for redemption.

Section 5. Special Record Date. In the event that payments of interest due on the Bonds on an Interest Payment Date are not timely made, such interest shall cease to be payable to the registered owners as of the Record Date for such Interest Payment Date and shall be payable to the registered owners of the Bonds as of a special date of record for payment of such defaulted interest as shall be designated by the Paying Agent and Registrar whenever monies for the purpose of paying such defaulted interest become available.

Section 6. Redemption of Bonds. The Bonds shall be subject to redemption, in whole or in part, prior to maturity at any time on or after the fifth (5th) anniversary of the Date of Delivery (or such other date as provided in the Designation) at par plus the interest accrued on the principal amount being redeemed to the date fixed for redemption. The District may select the Bonds to be redeemed for such optional redemption in its sole discretion. The Bonds designated as term bonds in the Designation may be subject to mandatory sinking fund redemption as and to the extent provided in the Designation. Bonds shall be redeemed only in amounts of \$5,000 or integral multiples thereof. Any Bond redeemed in part only shall be surrendered to the Paying Agent and Registrar in exchange for a new Bond, of the same maturity and interest rate, evidencing the unredeemed principal thereof. Notice of redemption of any Bond called for redemption shall be given, at the direction of the District in the case of optional redemptions and without further direction in the case of mandatory redemptions, by said Paying Agent and Registrar by mail not less than 30 days prior to the date fixed for redemption, first class, postage prepaid, sent to the registered owner of such Bond at said owner's registered address. Such notice shall designate the Bond or Bonds to be redeemed by maturity or otherwise, the date of original issue and the date fixed for redemption and shall state that such Bond or Bonds are to be presented for prepayment at the Designated Office of said Paying Agent and Registrar. In case of any Bond partially redeemed, such notice shall specify the portion of the principal amount of such Bond to be redeemed. No defect in the mailing of notice for any Bond shall affect the sufficiency of the proceedings of the District designating the Bonds called for redemption or the effectiveness of such call for Bonds for which notice by mail has been properly given and the District shall have the right to direct further notice of redemption for any such Bond for which defective notice has been given. The Paying Agent and Registrar shall select term bonds, if any, for early redemption using any random method of selection determined appropriate by such Paying Agent and Registrar, subject to the terms of Section 9 of this Resolution.

Section 7. Payment on Non-Business Days. If the date for payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the Designated Office of the Paying Agent and Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking

institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

Section 8. Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF NEBRASKA
PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

WATER SYSTEM REVENUE REFUNDING BOND, SERIES 2016A

No. _____ \$ _____

| | | | |
|----------------------|----------------------|-------------------------------|--------------|
| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> | <u>CUSIP</u> |
| _____% | December 15, 20__ | November __, 2016 | |

Registered Owner:

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS: That the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "District") hereby acknowledges itself to owe and for value received promises to pay, but only from the special sources hereinafter described, to the registered owner specified above, or registered assigns, the principal amount specified above in lawful money of the United States of America on the date of maturity specified above with interest thereon to maturity (or earlier redemption) from the date of original issue or most recent Interest Payment Date to which interest has been paid or provided for, whichever is later, at the rate per annum specified above, payable semiannually on June 15 and December 15 of each year commencing December 15, 2016 (each, an "Interest Payment Date"). Such interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of this bond together with interest thereon unpaid and accrued at maturity (or earlier redemption) is payable upon presentation and surrender of this bond at the designated corporate trust office of _____, as Paying Agent and Registrar, in _____. Interest on this bond due prior to maturity or earlier redemption will be paid on each Interest Payment Date by a check or draft mailed by the Paying Agent and Registrar to the registered owner of this bond, as shown on the books of record maintained by the Paying Agent and Registrar, at the close of business on the fifteenth day immediately preceding the Interest Payment Date, to such owner's address as shown on such books and records (the "Record Date"). Any interest not so timely paid shall cease to be payable to the person entitled thereto as of the Record Date such interest was payable, and shall be payable to the person who is the registered owner of this bond (or of one or more predecessor bonds hereto) on such special record date for payment of such defaulted interest as shall be fixed by the Paying Agent and Registrar whenever monies for such purpose become available.

This bond is one of an issue of fully registered bonds of the total principal amount of _____ Dollars (\$_____) of even date and like tenor, except as to the date of maturity, rate of interest and denomination (the "Bonds"), which were issued by the District for the purposes of refunding its Water Project Revenue Refunding Bonds (Washington County Rural Water Project No. 2), Series 2011A, in the outstanding principal amount of \$1,200,000 and its Junior Lien Water Project Revenue Refunding Bond (Washington

County Rural Water Project), Series 2014, all of which bonds were issued for the purpose of refinancing the costs of constructing and acquiring a rural water distribution system to serve the District's Washington County Rural Water Project No. 2 and portions of the City of Blair, Nebraska and to pay costs of issuance; and this bond is issued pursuant to the terms of a resolution (the "Resolution") adopted by the Board of Directors of said District in accordance with and under the provisions of Section 2-3226, R.R.S. Neb. 2012, as amended, and Section 10-142, R.R.S. Neb. 2012.

The bonds of said issue are subject to redemption at the option of the District, in whole or in part, on the fifth (5th) anniversary of the date of original issue or at any time thereafter, at the principal amount thereof together with accrued interest on the principal amount redeemed to the date fixed for redemption. Such redemption shall be made from time to time as shall be directed by the Board of Directors of the District.

[The Bonds due as term bonds in the years as follows (the "Term Bonds") are required to be redeemed, in part, prior to their stated maturity, on the dates shown below, and to be paid at maturity which redemptions and payment at maturity shall be in the years and for the principal amounts set forth below:

Date of Redemption

Amount Required to be Redeemed

Such mandatory redemptions for the Term Bonds shall be at a price equal to 100% of the principal amount redeemed plus interest accrued on the principal amount being redeemed to the date fixed for redemption. The Paying Agent and Registrar shall select the Term Bonds for mandatory redemption using any random method of selection deemed appropriate by the Paying Agent and Registrar, subject to the terms of the Resolution.]

The District may select the Bonds for redemption in its sole discretion. Notice of redemption shall be given by mail to the registered owner of any Bond called for redemption in the manner specified in the Resolution. Individual bonds may be redeemed in part but only in the amount of \$5,000 or integral multiples thereof.

This bond is transferable by the registered owner or such owner's attorney duly authorized in writing at the designated corporate trust office of the Paying Agent and Registrar upon surrender and cancellation of this bond, and thereupon a new bond or bonds of the same aggregate principal amount, interest rate and maturity will be issued to the transferee as provided in the Resolution, subject to the limitations therein prescribed. The District, the Paying Agent and Registrar and any other person may treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment due hereunder and for all other purposes and shall not be affected by any notice to the contrary, whether this bond be overdue or not.

If the day for payment of the principal of or interest on this bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the designated

corporate trust office of the Paying Agent and Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

The revenues and earnings of the District's Water System, as defined in the Resolution, are pledged and hypothecated by the District for the payment of this bond and the other Bonds of this issue and the 2016B Bond, and also for the payment of any additional bonds of equal priority issued in accordance with the terms of the Resolution. The Bonds are a lien only upon said revenues and earnings and are not general obligations of the District, nor are the Bonds supported in any way by taxation.

The Resolution sets forth the covenants and obligations of the District with respect to the Water System and the applications of the revenues and earnings thereof, which revenues and earnings under the terms of the Resolution are required to be deposited to the "Water System Fund" as established under the Resolution and disbursed to pay costs of operation and maintenance of the Water System, make payments of principal and interest on the Bonds, the 2016B Bond, and any additional bonds of equal priority with said Bonds and other payments as specified in the Resolution. The Resolution also designates the terms and conditions under which additional bonds of equal priority with the Bonds may be issued. The Resolution also designates the terms and conditions upon which this bond shall cease to be entitled to any lien, benefit or security under the Resolution and all covenants, agreements and obligations of the District under the Resolution may be discharged and satisfied at or prior to the maturity or redemption of this bond if monies or certain specified securities shall have been deposited with a trustee bank. In the Resolution, the District also reserves the right to issue bonds or notes junior in lien to the Bonds, the 2016B Bond and any additional bonds of equal priority to the Bonds, the principal and interest of which shall be payable from monies in the "Retained Revenues Account" of the Water System Fund as described in the Resolution.

IT IS HEREBY CERTIFIED AND WARRANTED that all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of this bond did exist, did happen and were done and performed in regular and due form and time as provided by law.

AS PROVIDED IN THE RESOLUTION REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE RESOLUTION, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISIONS OF THE RESOLUTION TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE REGISTRAR. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE RESOLUTION.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE REGISTRAR FOR PAYMENT OF PRINCIPAL, AND ANY BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, DTC OR ITS NOMINEE, HAS AN INTEREST HEREIN.

This bond shall not be valid and binding on the District until authenticated by the Paying Agent and Registrar.

IN WITNESS WHEREOF, the Board of Directors of the Papio-Missouri River Natural Resources District, in the State of Nebraska, have caused this bond to be executed on behalf of the District with the facsimile signatures of the Chairperson and Secretary of the District, all as of the Date of Original Issue shown above.

PAPIO-MISSOURI RIVER NATURAL
RESOURCES DISTRICT, IN THE STATE
OF NEBRASKA

ATTEST:

(facsimile signature)
Chairperson

(facsimile signature)
Secretary

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds authorized by resolution of the Board of Directors of Papio-Missouri River Natural Resources District, in the State of Nebraska, as described in the foregoing bond.

Paying Agent and Registrar

By (Sample – Do Not Sign)
Authorized Signature

(FORM OF ASSIGNMENT)

For value received _____ hereby sells, assigns, and transfers unto _____ the within bond and hereby irrevocably constitutes and appoints _____, Attorney, to transfer the same on the books of registration in the office of the within mentioned Paying Agent and Registrar with full power of substitution in the premises.

Date: _____

Registered Owner(s)

Signature Guaranteed

By: _____

Authorized Officer

Note: The signature(s) on this assignment **MUST CORRESPOND** with the name(s) as written on the face of the within bond in every particular, without alteration, enlargement or any change whatsoever, and must be guaranteed by a commercial bank or a trust company or by a firm having membership on the New York, Midwest or other stock exchange.

Section 9. Book-Entry System; Issuance and Sale of Bonds. Each of the Bonds shall be executed on behalf of the District with the manual or facsimile signatures of the Chairperson and Secretary of the District. The Bonds shall be issued initially as "book-entry-only" bonds using the services of The Depository Trust Company (the "Depository"), with one typewritten bond certificate per maturity being issued to the Depository. In such connection said officers are authorized to execute and deliver a letter of representations (the "Letter of Representations") in the form required by the Depository (which may be in the form of a blanket letter, including any blanket letter previously executed and delivered), for and on behalf of the District, which shall thereafter govern matters with respect to registration, transfer, payment and redemption of the Bonds. Upon the issuance of the Bonds as "book-entry-only" bonds, the following provisions shall apply:

(a) The District and the Paying Agent and Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which the Depository holds Bonds as securities depository (each, a "Bond Participant") or to any person who is an actual purchaser of a Bond from a Bond Participant while the Bonds are in book-entry form (each, a "Beneficial Owner") with respect to the following:

(i) the accuracy of the records of the Depository, any nominees of the Depository or any Bond Participant with respect to any ownership interest in the Bonds,

(ii) the delivery to any Bond Participant, any Beneficial Owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption, or

(iii) the payment to any Bond Participant, any Beneficial Owner or any other person, other than the Depository, of any amount with respect to the Bonds.

The Paying Agent and Registrar shall make payments with respect to the Bonds only to or upon the order of the Depository or its nominee, and all such payments shall be valid and effective fully to satisfy and discharge the obligations with respect to such Bonds to the extent of the sum or sums so paid. No person other than the Depository shall receive an authenticated Bond, except as provided in (e) below.

(b) Upon receipt by the Paying Agent and Registrar of written notice from the Depository to the effect that the Depository is unable or unwilling to discharge its responsibilities, the Paying Agent and Registrar shall issue, transfer and exchange Bonds requested by the Depository in appropriate amounts. Whenever the Depository requests the Paying Agent and Registrar to do so, the Paying Agent and Registrar will cooperate with the Depository in taking appropriate action after reasonable notice (i) to arrange, with the prior written consent of the District, for a substitute depository willing and able upon reasonable and customary terms to maintain custody of the Bonds or (ii) to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging such Bonds shall designate.

(c) If the District determines that it is desirable that certificates representing the Bonds be delivered to the Bond Participants and/or Beneficial Owners of the Bonds and so notifies the Paying Agent and Registrar in writing, the Paying Agent and Registrar shall so notify the Depository, whereupon the Depository will notify the Bond Participants of the availability through the Depository of bond certificates representing the Bonds. In such event, the Paying Agent and Registrar shall issue, transfer and exchange bond certificates representing the Bonds as requested by the Depository in appropriate amounts and in authorized denominations.

(d) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of the Depository or any nominee thereof, all payments with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, to the Depository as provided in the Letter of Representations.

(e) Registered ownership of the Bonds may be transferred on the books of registration maintained by the Paying Agent and Registrar, and the Bonds may be delivered in physical form to the following:

(i) any successor securities depository or its nominee; or

(ii) any person, upon (A) the resignation of the Depository from its functions as depository or (B) termination of the use of the Depository pursuant to this Section.

(f) In the event of any partial redemption of a Bond unless and until such partially redeemed Bond has been replaced in accordance with the provisions of this Resolution, the books and records of the Paying Agent and Registrar shall govern and establish the principal amount of such Bond as is then outstanding and all of the Bonds issued to the Depository or its nominee shall contain a legend to such effect.

If for any reason the Depository resigns and is not replaced or upon termination by the District of book-entry-only form, the District shall immediately provide a supply of bond certificates for issuance upon subsequent transfers or in the event of partial redemption. In the event that such supply of certificates shall be insufficient to meet the requirements of the Paying Agent and Registrar for issuance of replacement bond certificates upon transfer or partial redemption, the District agrees to order printed an additional supply of bond certificates and to direct their execution by manual or facsimile signature of its then duly qualified and acting officers. In case any officer whose signature or facsimile thereof shall appear on any Bond shall cease to be such officer before the delivery of such Bond (including any bond certificates delivered to the Paying Agent and Registrar for issuance upon transfer or partial redemption), such signature or such facsimile signature shall nevertheless be valid and sufficient for all purposes the same as if such officer or officers had remained in office until the delivery of such Bond. The Bonds shall not be valid and binding on the District until authenticated by the Paying Agent and Registrar. The Bonds shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration and authentication of the Bonds, they shall be delivered to the District's

Treasurer, acting on behalf of the District, who shall deliver them to D.A. Davidson & Co. (the "Underwriter"), as the initial purchaser thereof, for a purchase price of 98.5% of the stated principal amount of the Bonds (or such other price, which may take into account any applicable original issue premium and/or discount, as set forth in the Designation) plus accrued interest, if any, on the stated principal amount of the Bonds to date of payment and delivery, pursuant to a bond purchase agreement between the District and the Underwriter in such form as may be approved by an Authorized Officer (including the form presented, if any). The Underwriter and its agents and representatives and the District's bond counsel are hereby authorized to take such actions on behalf of the District as are necessary to effectuate the closing of the issuance and sale of the Bonds, including, without limitation, authorizing the release of the Bonds by the Depository at closing. A record of information with respect to the Bonds shall also be filed with the office of the Auditor of Public Accounts as required under Section 10-140, R.R.S. Neb. 2012, as amended. The Underwriter shall have the right to direct the registration of the Bonds and the denominations thereof within each maturity, subject to the restrictions of this Resolution. The Secretary, acting on behalf of the District, shall make and certify a transcript of the proceedings of the governing body with respect to the Bonds which shall be delivered to said initial purchaser. Upon execution and delivery of the Designation, this Resolution together with the Designation executed by the District and the said initial purchaser shall constitute the contract between the District and said initial purchaser with respect to the sale of the bonds.

Section 10. Water System Revenue Pledge. For the payment of the Bonds, both principal and interest, the District hereby pledges, hypothecates and grants a security interest in the entire revenues and earnings of the Water System as a first and prior pledge and encumbrance of such revenues, in accordance with the terms of this Resolution, such pledge, hypothecation and security interest being on an equal and ratable basis with the 2016B Bond and any Additional Bonds issued from time to time as described in this Resolution. The pledge and hypothecation provided for the Bonds in this Resolution is intended to be and shall provide for a first and prior pledge and lien upon and security interest in the revenues of the Water System superior to any pledge, lien or security interest made or given with respect to any other indebtedness of the District as to its Water System (other than the 2016B Bond and any such Additional Bonds) and is intended as a full exercise of the powers of the District provided for in the Act, as now or hereafter amended, with respect to the District's Water System and the revenues and earnings thereof. The Bonds are a lien only upon said revenues and earnings and are not general obligations of the District, nor are the Bonds supported in any way by taxation.

Section 11. Use of Bond Proceeds. The proceeds of the Bonds shall be deposited with the District's Treasurer and applied to the redemption and repayment of the Refunded Bonds and to pay certain costs of issuance as determined by an Authorized Officer.

Section 12. Covenant to Establish and Collect Rates and Charges. The District hereby agrees that it will impose and maintain and shall revise from time to time when necessary and shall collect such rentals, rates, fees and charges for the use and services of the Water System which shall be sufficient at all times to produce revenues and earnings sufficient at all times:

- (a) to provide for the payment of interest on and principal of the Bonds, the 2016B Bond and any Additional Bonds as such interest and principal become due;

(b) to pay all reasonable costs of operation and maintenance of the Water System, including adequate insurance as provided by this Resolution and to pay for the necessary and reasonable repairs, replacements and extensions of said Water System;

(c) to provide funds sufficient to make the credits into the accounts and at the times and in the amounts required by Section 13 of this Resolution; and

(d) to maintain Net Revenues in each fiscal year adopted by the District for the Water System in an amount not less than 125% of the total amount of principal paid or payable (exclusive of any principal redeemed prior to maturity other than principal redeemed pursuant to a schedule of mandatory redemptions) and interest falling due during such fiscal year on the Bonds, the 2016B Bond and any Additional Bonds (the "Coverage Requirement").

If the Net Revenues in any fiscal year are insufficient to satisfy the Coverage Requirement required by Section 12(d) hereof, the District shall retain a qualified consultant (within 30 days after the date that the audited financial statements demonstrating such Net Revenues are accepted by the District's Board) to make recommendations with respect to the rates, fees and charges of the Water System and the District's methods of operation and other factors affecting the financial condition of the Water System in order to satisfy the Coverage Requirement. The District shall follow the recommendations of such consultant to the extent deemed feasible by the Board and permitted by law. So long as the District retains a consultant and follow such consultant's recommendations to the extent feasible and permitted by law, this Coverage Requirement shall be deemed to be complied with for any fiscal year as long as the Net Revenues for such fiscal year for the Water System are not less than 100% of the total amount of principal paid or payable (exclusive of any principal redeemed prior to maturity other than principal redeemed pursuant to a schedule of mandatory redemptions) and interest falling due during such fiscal year on the Bonds, the 2016B Bond and any Additional Bonds.

Section 13. Funds and Accounts. In connection with the pledge of the revenues and earnings of the Water System for the payment of principal of and interest on the Bonds, the 2016B Bond and any Additional Bonds, the District does hereby agree with the holders of said Bonds as follows:

(a) WATER SYSTEM FUND - The entire gross revenues and income derived from the operation of the Water System shall be set aside as collected and deposited in a separate fund which is hereby ordered established and designated as the "Water System Fund." For purposes of allocating the monies in the Water System Fund, the District shall maintain the following accounts (by the terms of this Resolution directed to be established): (1) Operation and Maintenance Account; (2) Bond Payment Account; (3) Debt Service Reserve Account; and (4) Retained Revenues Account.

(b) OPERATION AND MAINTENANCE ACCOUNT - Out of the Water System Fund there shall be monthly credited into the Operation and Maintenance Account such amounts as the District shall from time to time determine to be necessary to pay the

reasonable and necessary expenses of operating and maintaining the Water System, and the District may withdraw funds credited to the Operation and Maintenance Account as necessary from time to time to pay such expenses.

(c) BOND PAYMENT ACCOUNT - Out of the Water System Fund there shall be credited monthly on or before the first day of each month to the Bond Payment Account, the following amounts:

(1) Commencing on the first (1st) day of the month following the month in which the Bonds are issued (the "Initial Deposit Date"), and continuing on the corresponding day of each month thereafter an amount which, when combined with additional equal monthly amounts to be deposited pursuant to this subparagraph prior to the next falling Interest Payment Date, will be sufficient to provide funds to pay the installment of interest due with respect to the Bonds on such Interest Payment Date; and

(2) Commencing on the Initial Deposit Date, and continuing on the corresponding day of each month thereafter an amount which, when combined with additional equal monthly amounts to be deposited pursuant to this subparagraph prior to the next principal maturity date (or mandatory sinking fund redemption date, if applicable) with respect to the Bonds will be sufficient to provide funds to pay such maturing principal amount (or make such mandatory sinking fund redemption payment, if applicable) on such date.

The District Treasurer is hereby authorized and directed, without further authorization, to withdraw monies credited to the Bond Payment Account, or if the monies in such Account are insufficient, then from the Debt Service Reserve Account (but only from the appropriate debt service reserve sub-account) and next from the Retained Revenues Account, in an amount sufficient to pay, when due, the principal of and interest on the Bonds, the 2016B Bond or any Additional Bonds and to transfer such amounts due to the Paying Agent and Registrar (or other paying agent for Additional Bonds or, in the case of the 2016B Bond, to NDEQ) at least five (5) business days before each principal and interest payment date. Upon the issuance of any Additional Bonds pursuant to this Resolution appropriate additional credits to the Bond Payment Account shall be provided sufficient to pay principal and interest on said Additional Bonds.

(d) DEBT SERVICE RESERVE ACCOUNT – There is hereby created in the Debt Service Reserve Account a separate sub-account for the Bonds (the "2016A Sub-account"). The District agrees that it shall deposit from monies on hand or from bond proceeds an amount to be determined in the Designation as the amount required to be maintained in the 2016A Sub-account. Monies credited to the Debt Service Reserve Account may be withdrawn (but only from the appropriate sub-account, in the case of the Bonds, the 2016A Sub-account), as needed to provide funds to pay, when due, the principal and interest on the Bonds or any Additional Bonds issued pursuant to this Resolution, if the Bond Payment Account contains insufficient funds for that purpose, and the District Treasurer is hereby authorized and directed to make such withdrawal if and when needed.

In the event of a withdrawal from the Debt Service Reserve Account, there shall be credited to the Debt Service Reserve Account in the month following such withdrawal and each month thereafter (until each sub-account in the Debt Service Reserve Account has been fully restored) all monies in the Water System Fund remaining after making the payments required to be made in such month to the Operation and Maintenance Account and Bond Payment Account. Upon the issuance of any Additional Bonds a separate sub-account in the Debt Service Reserve Account shall be established (in such amount as the Board shall determine appropriate, which may be \$-0-) and any such separate debt service reserve account shall have the right to share, in the event of drawings upon the 2016A Sub-account and such reserve sub-account for Additional Bonds, in revenues available in the Water System Fund upon a pro rata basis in accordance with the respective outstanding principal amounts or each such issue. Anything in this Subsection 13(d) to the contrary notwithstanding, the amount required to be maintained in the 2016A Sub-account with respect to the Bonds or in any debt service reserve sub-account for any issue of Additional Bonds the interest on which is intended to be exempt from federal income tax shall not be required to exceed at any time the maximum amount permitted to be invested without yield restriction under Section 103(b) and 148 of the Internal Revenue Code of 1986, as amended, and applicable regulations of the United States Treasury Department. Each sub-account in the Debt Service Reserve Account shall constitute a special and separate account held in trust for the specific issue for which it has been established held solely for such specific issue and to assure the payment of principal and interest thereon. When the Bonds or any issue of Additional Bonds for which a sub-account has been established is no longer outstanding, the particular sub-account for such issue shall no longer be required to be maintained.

(e) RETAINED REVENUES ACCOUNT - Monies from the Water System Fund remaining after the credits required in the foregoing Subsections (b), (c) and (d) have been made in full shall be credited to the Retained Revenues Account. Monies in the Retained Revenues Account shall be applied (1) first, to make up any deficiencies in the accounts described in the foregoing Subsections (b), (c) and (d); (2) second, to retire any of the Bonds, the 2016B Bond or any Additional Bonds prior to their maturity, (3) third, to provide for replacements for or improvements to the Water System, (4) fourth, to pay principal of and interest on any junior lien indebtedness incurred with respect to the Water System, and (5) fifth, to provide for any other lawful purpose of the District related to the Water System determined upon by the Board.

The provisions of this Section shall require the District to maintain a set of books and records in accordance with such accounting methods and procedures as are generally applicable to a utility enterprise, which books and records shall show credits to and expenditures from the several accounts required by this Section 13. Monies credited to the Water System Fund or any of the accounts or sub-accounts therein as established by this Resolution shall be deposited or invested separate and apart from other District funds. Except as specified below for the Debt Service Reserve Account, the District shall not be required to establish separate bank or investment accounts for the accounts and sub-accounts described in Subsections 13(b), 13(c), 13(d) and 13(e). Monies credited to the Debt Service Reserve Account or any reserve sub-account therein (unless otherwise directed in the authorizing resolution for any Additional Bonds with respect to the

reserve sub-account for such Additional Bonds) shall, if maintained in a demand or time deposit account, be kept in a separate account and not commingled with other Water System funds or accounts. If invested, monies credited to the Debt Service Reserve Account or any reserve sub-account therein may be commingled with other Water System funds or accounts so long as the District maintains books and records clearly identifying the specific investments, or portions thereof, which belong to the Debt Service Reserve Account and the specific sub-accounts therein. Monies in any of the accounts may be invested in securities eligible for investment of other District funds. Income from or profit realized from any such investment shall be credited to the respective account from which said investment has been made until such account contains the maximum amount required to be deposited therein and thereafter such income or profit shall be transferred to the Water System Fund and treated as other revenues from the operation of the Water System.

Section 14. Covenants Relating to Water System. So long as any Bonds, the 2016B Bond or Additional Bonds are outstanding, the District hereby covenants and agrees as follows:

(f) The District will maintain the Water System in good condition and will continuously operate the same in a reasonable and efficient manner, and the District will punctually perform all duties with reference to said system required by the Constitution and statutes of the State of Nebraska, but this covenant shall not prevent the District from discontinuing the use and operation of all or any portion of the Water System so long as the revenue derived from the District's ownership of the properties constituting the Water System shall be sufficient to fulfill the District's obligations under this Resolution.

(g) The District will not grant any franchise or right to any person, firm or corporation to own or operate a water system in competition with the Water System.

(h) The District will maintain insurance on the property constituting the Water System (other than such portions of the system as are not normally insured) against risks customarily carried by similar utilities, but including fire and extended coverage insurance in an amount which would enable the District to repair, restore or replace the property damaged to the extent necessary to make the Water System operable in an efficient and proper manner to carry out the District's obligations under this Resolution. The Board shall annually examine the amount of insurance carried with respect to the Water System and shall evidence approval of such insurance by resolution. The proceeds of any such insurance received by the District shall be used to repair, replace or restore the property damaged or destroyed to the extent necessary to make the Water System operable in an efficient and proper manner, and any amount of insurance proceeds not so used shall be credited to the Retained Revenues Account and applied in a manner consistent with the priorities set forth in subsection 13. In the event of any such insured casualty loss, the District may advance funds to make temporary repairs or provide for an advance on costs of the permanent repair, restoration or replacement from the Operation and Maintenance Account or other funds of the District and any such advances shall be repaid from insurance proceeds received.

(i) The District will keep proper books, records and accounts separate from all other records and accounts in which complete and correct entries will be made of all

transactions relating to the Water System. The District will upon request have its operating and financial statements related to the Water System audited annually by a certified public accountant or firm of certified public accountants. The District will furnish to the original purchaser of the Bonds and to the original purchaser or purchasers of each series of Additional Bonds issued hereunder (which may be accomplished by posting on EMMA), within seven (7) months after the end of each fiscal year of the District, a copy of the financial statements of the District and the certified public accountant's report thereon.

(j) The District shall cause each person handling any of the monies in the Water System Fund to be bonded by an insurance company licensed to do business in Nebraska in an amount or amounts deemed sufficient by the Board to cover the amount of money belonging to said system reasonably expected to be in the possession or control of any such person. The amount of such bond or bonds shall be fixed by the Board and the costs thereof shall be paid as an operating and maintenance expense from the Operation and Maintenance Account.

Section 15. Additional Bonds. To provide funds for any purpose related to the Water System, the District may issue Additional Bonds (other than Additional Bonds issued for refunding purposes which are governed by Section 16 of this Resolution) payable from the revenues of the Water System having equal priority and on a parity with the Bonds, the 2016B Bond and any Additional Bonds then outstanding, only upon compliance with the following conditions:

(a) Such Additional Bonds shall be issued only pursuant to a resolution which shall provide for an increase in the monthly credits into the Bond Payment Account in amounts sufficient to pay, when due, the principal of and interest on the Bonds, the 2016B Bond and any Additional Bonds then outstanding and the proposed Additional Bonds and for any monthly credits to the Debt Service Reserve Account as may be required to be established with respect to such Additional Bonds.

(b) The District shall have complied with one or the other of the two following requirements:

1) The Net Revenues derived by the District from its Water System for the fiscal year next preceding the issuance of the Additional Bonds shall have been at least equal to 1.25 times the Average Annual Debt Service Requirements of the Bonds, the 2016B Bond and any Additional Bonds, all as then outstanding, and of the proposed Additional Bonds; or

2) The District shall have received a projection made by a consulting engineer or firm of consulting engineers, recognized as having experience and expertise in municipal utility systems, projecting that the Net Revenues of the Water System in each of the three full fiscal years after the issuance of such Additional Bonds will be at least equal to 1.25 times the Average Annual Debt Service Requirements of the Bonds, the 2016B Bond and any Additional Bonds,

all as then outstanding, and of the proposed Additional Bonds. In making such projection, the consulting engineer shall use as a basis the Net Revenues of the Water System during the last fiscal year for which an independent audit has been prepared and shall adjust such Net Revenues as follows: (A) to reflect changes in rates which have gone into effect since the beginning of the fiscal year for which the audit was made, (B) to reflect such engineer's estimate of the net increase over or net decrease under the Net Revenues of the Water System for the fiscal year for which the audit was made by reason of: (i) changes of amounts payable under existing contracts for services; (ii) additional general income from sales to customers under existing rate schedules for various classes of customers or as such schedules may be revised under a program of changes which has been adopted by the Board; (iii) projected revisions in costs for water service, labor, wages, salaries, machinery, equipment, supplies and other operational items; (iv) revisions in the amount of service to be supplied and any related administrative or other costs associated with such increases due to increased supply from the acquisition of any new facility; and (v) such other factors affecting the projections of revenues and expenses as the consulting engineer deems reasonable and proper. Annual debt service on any proposed Additional Bonds to be issued may be estimated by the consulting engineer in projecting Average Annual Debt Service Requirements, but no Additional Bonds shall be issued requiring any annual debt service payment in excess of the amount so estimated by the consulting engineer.

The District hereby covenants and agrees that so long as any of the Bonds, the 2016B Bond and any Additional Bonds are outstanding, it will not issue any bonds or notes payable from the revenues of the Water System except in accordance with the provisions of this Resolution, provided, however, the District, to the extent permitted under the terms of this Resolution, reserves the right to issue bonds or notes which are junior in lien to the Bonds, the 2016B Bond and any such Additional Bonds with the principal and interest of such junior bonds or notes to be payable from monies credited to the Retained Revenues Account as provided in Subsection 13(e) of this Resolution.

Section 16. Refunding Bonds. The District may issue refunding bonds which shall qualify as Additional Bonds of equal lien to refund any of the Bonds, the 2016B Bond or Additional Bonds then outstanding, provided, that if any such Bonds, the 2016B Bond or Additional Bonds are to remain outstanding after the issuance of such refunding bonds, the principal and interest payments due on the refunding bonds in any calendar year following such refunding shall not exceed the principal and interest payments which would otherwise have been due on the refunded bonds in such calendar year by more than ten percent (10%). Refunding Bonds issued in accordance with this paragraph of this Section 16 may be issued as Additional Bonds of equal lien without compliance with the conditions set forth in Subsection 15(b) of this Resolution.

The District may also issue refunding bonds which shall qualify as Additional Bonds of equal lien to refund any Bonds, the 2016B Bond or Additional Bonds then outstanding provided, that, if any such Bonds, the 2016B Bond or Additional Bonds are to remain outstanding after the application of the proceeds of the refunding bonds to the payment of the bonds which are to be

refunded, such issuance must comply with the Net Revenues test set forth in Subsection 15(b)(1) of this Resolution and, if the proceeds of such refunding bonds are not to be applied immediately to the satisfaction of the bonds which are to be refunded, then such refunding bonds must provide by their terms that they shall be junior in lien to all Bonds, the 2016B Bond, and any Additional Bonds outstanding at the time of issuance of such refunding bonds until the time of application of their proceeds to the satisfaction of the bonds which are to be refunded. In computing Average Annual Debt Service Requirements to show compliance with said Net Revenues test for such refunding bonds, all payments of principal and interest due on such refunding bonds from the time of their issuance to the time of application of the proceeds of such refunding bonds to the satisfaction of the bonds which are to be refunded shall be excluded from such computation to the extent that such principal and interest are payable from sources other than the revenues of the Water System, such as earnings on the investment of the proceeds of said refunding bonds, or from monies in the Retained Revenues Account, and all payments of principal and interest due on the bonds which are to be refunded from and after the time of such application shall also be excluded. For purposes of this paragraph of this Section 16, the time of application of the proceeds of the refunding bonds to the satisfaction of the bonds which are to be refunded shall be the time of deposit with the paying agent for such bonds which are to be refunded pursuant to Section 10-126 R.R.S. Neb. 2012, as amended (or any successor statutory provision thereto) or the time when such bonds which are to be refunded under the terms of their authorizing resolution or resolutions are no longer deemed to be outstanding, whichever occurs sooner.

Section 17. Bonds No Longer Outstanding. The District's obligations under this Resolution and the liens, pledges, dedications, covenants and agreements of the District herein made or provided for shall be fully discharged and satisfied as to any of the Bonds issued hereunder, and said bonds shall no longer be deemed outstanding hereunder if such bonds shall have been purchased and canceled by the District or, as to any of said bonds not theretofore purchased and canceled by the District, when payment of the principal of and any applicable redemption premium, if any, on such bonds plus interest thereon to the respective dates of maturity or redemption (a) shall have been made or caused to be made in accordance with the terms thereof; or (b) shall have been provided for by depositing with a state or national bank having trust powers or trust company in trust solely for such payment (i) sufficient moneys to make such payment and/or (ii) Deposit Securities in such amount and bearing interest payable and maturing or redeemable at stated fixed prices at the option of the holder as to principal at such times as will ensure the availability of sufficient moneys to make such payment and such bonds shall cease to draw interest from the date fixed for their redemption or maturity and, except for the purposes of such payment, shall no longer be entitled to the benefits of this Resolution; provided that, with respect to any such bonds called or to be called for redemption, the District shall have duly given notice of redemption or made irrevocable provision for such notice. Any such moneys so deposited with the aforesaid state or national bank or trust company as provided in this section may be invested and reinvested in Deposit Securities at the direction of the District and all interest and income from all such Deposit Securities in the hands of the aforesaid trustee bank or trust company which are not required to pay principal and interest on the Bonds for which such deposit has been made shall be paid to the District as and when realized and collected.

Section 18. Official Statement Approval; General Authority. Each Authorized Officer is hereby authorized to approve and deem final a Preliminary Official Statement pertaining to the issuance of the Bonds. Each Authorized Officer is further hereby authorized to approve a final Official Statement on behalf of the District. The District agrees to deliver to the Underwriter as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(3) of Rule. Each of the Authorized Officers is hereby authorized to execute and deliver any and all certificates and documents and to take any and all actions determined appropriate in connection with the issuance and sale of the Bonds.

Section 19. Continuing Disclosure Undertaking. In accordance with the requirements of Rule 15c2-12 of the Securities Exchange Act of 1934 (the "Rule") promulgated by the Securities and Exchange Commission, the District, being the only "obligated person" with respect to the Bonds, agrees that it will provide the following continuing disclosure information to the Municipal Securities Rulemaking Board (the "MSRB"):

(a) not later than seven (7) months after the end of each fiscal year of the District (the "Delivery Date"), commencing with the fiscal year ending June 30, 2016, financial and operating information generally consistent with the information set forth under the heading "MANAGEMENT'S DISCUSSION AND ANALYSIS" as shown in the District's audited financial statements ("Annual Financial Information");

(b) when and if available, audited financial statements for the District; audited financial information shall be provided in conformity with generally accepted accounting principles as presently in effect, including those applicable to governmental organizations, provided that the Board reserves the right to change accounting methods as may be determined appropriate by such Board from time to time; and

(c) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (7) modifications to rights of the holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar events of the District (this event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);
- (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) in a timely manner, notice of any failure on the part of the District to provide Annual Financial Information and the audited financial statements to the extent available not later than the Delivery Date.

The District has not undertaken to provide notice of the occurrence of any other event, except the events listed above.

The District agrees that all documents provided to the MSRB under the terms of this continuing disclosure undertaking shall be in such electronic format and accompanied by such identifying information as shall be prescribed by the MSRB. The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information or the accounting methods in accordance with which such information is presented, to the extent necessary or appropriate in the judgment of the District, consistent with the Rule. The District agrees that such covenants are for the benefit of the registered owners of the Bonds (including Beneficial Owners) and that such covenants may be enforced by any registered owner

or Beneficial Owner, provided that any such right to enforcement shall be limited to specific enforcement of such undertaking and any failure shall not constitute an event of default under the Resolution. The continuing disclosure obligations of the District, as described above, shall cease when none of the Bonds remain outstanding. Each of the Authorized Officers is hereby authorized to enter into a separate continuing disclosure certificate or agreement and any accompanying dissemination agreement in order to promote the District's compliance with such undertaking.

Section 20. Tax Covenants. The District hereby covenants and agrees that it will make no use of the proceeds of the Bonds which would cause the Bonds to be arbitrage bonds within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code") and further covenants to comply with said Sections 103(b)(2) and 148 and all applicable regulations thereunder throughout the term of said issue, including all requirements with respect to payment and reporting of rebates, if applicable. The District hereby designates the Bonds as its "qualified tax-exempt obligations" under Section 265 (b)(3)(B)(i)(III) of the Internal Revenue Code of 1986, as amended, and covenants and warrants that it does not reasonably anticipate issuance of tax-exempt bonds or other tax-exempt obligations aggregating in principal amount more than \$10,000,000 during calendar year 2016, taking into consideration statutory exceptions relating to refunding issues. The District hereby covenants to take all action necessary to preserve the tax-exempt status of the interest on the Bonds for federal income tax purposes under the Code with respect to taxpayers generally. The District further agrees that it will not take any actions which would cause the Bonds to constitute "private activity bonds" within the meaning of Section 141 of the Code. The officers of the District are hereby authorized to make any allocations, certifications and other determinations as shall be deemed necessary or appropriate in connection with the issuance of the Bonds.

Section 21. Post-Issuance Compliance Policies. In order to promote compliance with certain federal tax and securities laws relating to the bonds herein authorized (as well as other outstanding bonds) the policy and procedures attached hereto as Exhibit A (the "Post-Issuance Compliance Policy and Procedures") are hereby adopted and approved in all respects. To the extent that there is any inconsistency between the attached Post-Issuance Compliance Policy and Procedures and any similar policy or procedures previously adopted and approved, the Post-Issuance Compliance Policy and Procedures shall control.

Section 22. Severability. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Resolution.

Section 23. Conflicting Resolutions Repealed. All resolutions or orders or parts thereof in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed.

Section 24. Effectiveness. This Resolution shall be in force and take effect as provided by law.

ADOPTED this October 13, 2016.

ATTEST:

Chairperson

Secretary

EXHIBIT A
POST ISSUANCE COMPLIANCE POLICY AND PROCEDURES

Policy and Procedures
Federal Tax Law and Disclosure Requirements for
Tax-Exempt Bonds and other Federally Tax-Advantaged Bonds

ISSUER NAME: PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMPLIANCE OFFICER (BY TITLE): General Manager

POLICY

It is the policy of the Issuer identified above (the "Issuer") to comply with all Federal tax requirements and securities law continuing disclosure obligations for its obligations issued as tax-exempt bonds and other federally tax-advantaged bonds.

PROCEDURES

Compliance Officer. Review of compliance with Federal tax requirements and securities law continuing disclosure obligations as generally outlined below shall be conducted by the Compliance Officer identified above (the "Compliance Officer"). To the extent more than one person has been delegated specific responsibilities, the Compliance Officer shall be responsible for ensuring coordination of all compliance review efforts.

Training. The Compliance Officer shall evaluate and review educational resources regarding post-issuance compliance with Federal tax and securities laws, including periodic review of resources published for issuers of tax-exempt obligations by the Internal Revenue Service (either on its website at <http://www.irs.gov/taxexemptbond>, or elsewhere) and the Municipal Securities Rulemaking Board (either on its Electronic Municipal Market Access website ["EMMA"] at <http://www.emma.msrb.org>, or elsewhere).

Compliance Review. A compliance review shall be conducted at least annually by or at the direction of the Compliance Officer. The review shall occur at the time the Issuer's annual audit takes place, unless the Compliance Officer otherwise specifically determines a different time period or frequency of review would be more appropriate.

Scope of Review.

Document Review. At the compliance review, the following documents (the "Bond Documents") shall be reviewed for general compliance with covenants and agreements and applicable regulations with respect to each outstanding bond issue:

- (a) the resolution(s) and/or ordinance(s), as applicable, adopted by the governing body of the Issuer authorizing the issuance of its outstanding bonds, together with any documents setting the final rates and terms of such bonds (the "Authorizing Proceedings"),

- (b) the tax documentation associated with each bond issue, which may include some or all of the following (the "Tax Documents"):
 - (i) covenants, certifications and expectations regarding Federal tax requirements which are described in the Authorizing Proceedings;
 - (ii) Form 8038 series filed with the Internal Revenue Service;
 - (iii) tax certificates, tax compliance agreements, tax regulatory agreement or similar documents;
 - (iv) covenants, agreements, instructions or memoranda with respect to rebate or private use;
 - (v) any reports from rebate analysts received as a result of prior compliance review or evaluation efforts; and
 - (vi) any and all other agreements, certificates and documents contained in the transcript associated with the Authorizing Proceedings relating to federal tax matters.
- (c) the Issuer's continuing disclosure obligations, if any, contained in the Authorizing Proceedings or in a separate agreement (the "Continuing Disclosure Obligations"), and
- (d) any communications or other materials received by the Issuer or its counsel, from bond counsel, the underwriter or placement agent or its counsel, the IRS, or any other material correspondence relating to the tax-exempt status of the Issuer's bonds or relating to the Issuer's Continuing Disclosure Obligations.

Use and Timely Expenditure of Bond Proceeds. Expenditure of bond proceeds shall be reviewed by the Compliance Officer to ensure (a) such proceeds are spent for the purpose stated in the Authorizing Proceedings and as described in the Tax Documents and (b) that the proceeds, together with investment earnings on such proceeds, are spent within the timeframes described in the Tax Documents, and (c) that any mandatory redemptions from excess bond proceeds are timely made if required under the Authorizing Proceedings and Tax Documents.

Arbitrage Yield Restrictions and Rebate Matters. The Tax Documents shall be reviewed by the Compliance Officer to ensure compliance with any applicable yield restriction requirements under Section 148(a) of the Internal Revenue Code (the "Code") and timely calculation and payment of any rebate and the filing of any associated returns pursuant to Section 148(f) of the Code. A qualified rebate analyst shall be engaged as appropriate or as may be required under the Tax Documents.

Use of Bond Financed Property. Expectations and covenants contained in the Bond Documents regarding private use shall be reviewed by the Compliance Officer to ensure compliance. Bond-financed properties shall be clearly identified (by mapping or other reasonable means). Prior to execution, the Compliance Officer (and bond counsel, if deemed appropriate by the Compliance Officer) shall review (a) all proposed leases, contracts related to operation or management of bond-financed property, sponsored research agreements, take-or-pay contracts or other agreements or arrangements or proposed uses which have the potential to give any entity any special legal entitlement to the bond-financed property, (b) all proposed agreements which would result in disposal of any bond-financed property, and (c) all proposed uses of bond-financed

property which were not anticipated at the time the bonds were issued. Such actions could be prohibited by the Authorizing Proceedings, the Tax Documents or Federal tax law.

Continuing Disclosure. Compliance with the Continuing Disclosure Obligations with respect to each bond issue shall be evaluated (a) to ensure timely compliance with any annual disclosure requirement, and (b) to ensure that any material events have been properly disclosed as required by the Continuing Disclosure Obligation.

Record Keeping. If not otherwise specified in the Bond Documents, all records related to each bond issue shall be kept for the life of the indebtedness associated with such bond issue (including all tax-exempt refundings) plus six (6) years.

Incorporation of Tax Documents. The requirements, agreements and procedures set forth in the Tax Documents, now or hereafter in existence, are hereby incorporated into these procedures by this reference and are adopted as procedures of the Issuer with respect to the series of bonds to which such Tax Documents relate.

Consultation Regarding Questions or Concerns. Any questions or concerns which arise as a result of any review by the Compliance Officer shall be raised by the Compliance Officer with the Issuer's counsel or with bond counsel to determine whether non-compliance exists and what measures should be taken with respect to any non-compliance.

VCAP and Remedial Actions. The Issuer is aware of (a) the Voluntary Closing Agreement Program (known as "VCAP") operated by the Internal Revenue Service which allows issuers under certain circumstances to voluntarily enter into a closing agreement in the event of certain non-compliance with Federal tax requirements and (b) the remedial actions available to issuers of certain bonds under Section 1.141-12 of the Income Tax Regulations for private use of bond financed property which was not expected at the time the bonds were issued.

The motion for adoption was seconded by Board Member _____. The Chairperson then stated the question was, "Shall this Resolution be passed and adopted?" Upon roll call vote, the following Board Members voted YEA: _____

_____; the following voted NAY: _____. The passage and adoption of said resolution having been concurred in by two thirds of all members of the Board, the Chairperson declared the resolution adopted and the Chairperson, in the presence of the Board of Directors, signed and approved the resolution and the Secretary attested the passage and approval of the same and affixed his signature thereto.

DATED THIS October 13, 2016.

ATTEST:

Chairperson

Secretary

***Agenda Item 12.A. – Personnel, Legislative and Public Affairs Subcommittee**

BE IT RESOLVED that the minutes of the October 11, 2016, meeting of the Personnel, Legislative and Public Affairs Subcommittee are accepted, incorporated in these minutes, and the following recommendation(s) of the Subcommittee are hereby adopted and approved.

1. Federal Government Representation Contract: Recommendation that the General Manager be authorized to execute the proposed contract with Water Strategies LLC for the provision of Federal Government Representation services, per the terms and conditions as presented to the Subcommittee, subject to changes deemed necessary by the General Manager and approval as to form by District Legal Counsel.

***Agenda Item 12.B. – Programs, Projects and Operations Subcommittee**

BE IT RESOLVED that the minutes of the October 11, 2016, meeting of the Programs, Projects and Operations Subcommittee are accepted, incorporated in these minutes, and the following recommendation(s) of the Subcommittee are hereby adopted and approved.

1. Update on Draft Lower Platte River Basin-Wide Water Management Plan: This was an informational item. No action was taken by the Subcommittee.
2. Amendment 6 to Professional Services Contract with HDR for Papio Dam Site 15A: Recommendation that the General Manager be authorized to execute contract Amendment 6 to HDR's Professional Service Contract for the Papio Dam Site 15A project, in the amount of \$191,738, bringing the total not-to-exceed contract amount to \$3,997,287, subject to changes deemed necessary by the General Manager and approval as to form by District Legal Counsel.

3. Interlocal Agreement for the Southern Sarpy Watershed Partnership: Recommendation that the General Manager be authorized to execute the proposed Interlocal Agreement for the creation of the Southern Sarpy Watershed Partnership between the communities of Bellevue, Gretna, Papillion, Springfield, Sarpy County and the Papio-Missouri River Natural Resources District, subject to changes deemed necessary by the General Manager and approval as to form by District Legal Counsel.
4. Bids for the 2017 District Vehicle and Equipment: Recommendation that the following bids be accepted:

Bid Item A – One, 2017 John Deere 6145R Cab Tractor: Recommendation that the bid of \$64,765.19 submitted by Plains Equipment for a 2017, John Deere 6145R Cab Tractor be accepted with trade-in of the District's 1998, John Deere 7810 150-HP Tractor.

Bid Item B – One, 2017 Full-Size Crew Cab 4-Wheel Drive Pickup Truck: Recommendation that the bid of \$24,769 submitted by Gene Steffy for a 2017, Ram Crew Cab be accepted with trade-in of the District's 2006, Ford F250 4x4 Extended Cab Pickup Truck.

Bid Item C – One, 2017 Flex Wing Rotary Mower: Recommendation that the bid of \$8,155 submitted by Pender Implement for a 2017, Rhino 4155 Pro be accepted with trade-in of the District's 2008, Rhino FR15 Mower with Front End Loader.

Bid Item D – One, 2017 Utility Work Machine (Toolcat): Recommendation that the bid of \$43,150 submitted by Bobcat of Omaha for a 2017, Bobcat 5600 be accepted with trade-in of the District's 2004 John Deere Gator.
5. FY 2017 Long Range Implementation Plan: Recommendation that the Fiscal Year 2017 Long Range Implementation Plan be approved.

*Agenda Item 13. A.-I. – Treasurer's Report

BE IT RESOLVED that the Treasurer is authorized to expend general funds to pay: (l) claims listed in the September, 2016, financial report; and, (2) any claims made prior to the next Board meeting for (a) earned salaries of District employees, (b) withholding taxes, (c) social security payments, (d) retirement program contributions, (e) utilities, (f) registration fees and expenses for upcoming meetings and conferences, (g) certified completed CAP and Special Project Area applications, (h) invoices which offer a credit or discount for payment made prior to the next Board meeting, (i) postage, and, (j) building and grounds contract expenses.

BE IT FURTHER RESOLVED that the Treasurer is authorized to pay, from the respective operating accounts of the Dakota County, Thurston County and Washington County Rural Water System, the Elkhorn River Bank Stabilization Project, the Elkhorn Breakout Project, the Elk/Pigeon Creek Drainage Project, and the Western Sarpy Drainage District, the project bills listed on the September, 2016, financial report, and future claims for project utilities.

BE IT FURTHER RESOLVED that the financial reports be affixed to and made a part of the minutes.

***Agenda Item 15.B. - P-MRNRD Board of Directors Meeting Schedule for 2017**

BE IT RESOLVED that the following be adopted as the schedule for Papio-Missouri River NRD Board of Directors meetings for calendar year 2017:

| | |
|------------------|--------------------|
| January 12, 2017 | July 13, 2017 |
| February 9, 2017 | August 10, 2017 |
| March 9, 2017 | September 14, 2017 |
| April 13, 2017 | October 12, 2017 |
| May 11, 2017 | November 9, 2017 |
| June 8, 2017 | December 14, 2017 |

The May Subcommittee Meetings will be held on Monday, May 8th due to the Municipal Election being held on Tuesday, May 9th.