

MEMORANDUM

TO: Finance, Expenditure & Legal Subcommittee

SUBJECT: Refinancing of Revenue Bonds for Washington County Rural Water #2

DATE: April 29, 2011

FROM: Dick Sklenar

In 2005, the Washington County Rural Water #2 system financed its entire construction costs by issuing \$3.4 million in revenue bonds and a \$1.15 million loan from the Washington County Bank. Due to the housing recession, there have been fewer new services than what was originally expected, which resulted in lower revenues than what was forecasted. Fortunately, interest rates are much better than what was experienced 5 years ago.

The refinancing of existing debt (\$2.325 million as of 6/15/11) amounts to calling in current revenue bonds and a reissue of new revenue bonds. The 5-year junior lien loan with the Washington County bank will also be renegotiated, with the principal being reduced to about \$700,000. The firm of D.A. Davidson & Co. will be handling the financial arrangement for the District.

Attached is an estimate of the 2011 revenue bond payment schedule that the rural water system will have for the next 20-year period. Also attached, is Mike Rogers (District's bond counsel) recommended resolutions.

- **It is recommended by Management that the Subcommittee recommend to the Board of Directors the attached resolutions.**

SOURCES AND USES OF FUNDS

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
 WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011
 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)
 Pay & Cancel Refunding of Ser. 2006
 [Preliminary -- for discussion only]**

Dated Date 05/26/2011
 Delivery Date 05/26/2011

Sources:

Bond Proceeds:	
Par Amount	2,200,000.00
Other Sources of Funds:	
Ser. '06A Principal due 6/15/11	225,000.00
Ser. '06A Int. due 6/15/11 (net)*	56,228.87
Ser. '06A Debt Service Reserve Fund	340,000.00
	621,228.87
	2,821,228.87

Uses:

Refunding Escrow Deposits:	
Cash Deposit	2,601,524.47
Other Fund Deposits:	
Debt Service Reserve Fund	183,404.40
Delivery Date Expenses:	
Cost of Issuance	3,300.00
Underwriter's Discount	33,000.00
	36,300.00
	2,821,228.87



BOND SOLUTION

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006
[Preliminary -- for discussion only]

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints	Unused Revenues	Debt Serv Coverage
06/30/2011						
06/30/2012	280,000	353,739	353,739	477,892	124,153	135.09727%
06/30/2013	285,000	351,123	351,123	473,692	122,570	134.90790%
06/30/2014	290,000	351,278	351,278	468,592	117,315	133.39653%
06/30/2015	290,000	345,333	345,333	462,442	117,110	133.91210%
06/30/2016	50,000	98,083	98,083	129,000	30,918	131.52193%
06/30/2017	50,000	96,658	96,658	129,000	32,343	133.46093%
06/30/2018	50,000	95,058	95,058	129,000	33,943	135.70734%
06/30/2019	55,000	98,308	98,308	129,000	30,693	131.22091%
06/30/2020	55,000	96,218	96,218	129,000	32,783	134.07124%
06/30/2021	55,000	93,990	93,990	129,000	35,010	137.24864%
06/30/2022	60,000	96,680	96,680	129,000	32,320	133.42987%
06/30/2023	60,000	94,040	94,040	129,000	34,960	137.17567%
06/30/2024	65,000	96,340	96,340	129,000	32,660	133.90077%
06/30/2025	70,000	98,318	98,318	129,000	30,683	131.20757%
06/30/2026	70,000	94,958	94,958	129,000	34,043	135.85025%
06/30/2027	75,000	96,528	96,528	129,000	32,473	133.64067%
06/30/2028	80,000	97,778	97,778	129,000	31,223	131.93219%
06/30/2029	85,000	98,698	98,698	129,000	30,303	130.70240%
06/30/2030	85,000	94,278	94,278	129,000	34,723	136.83010%
06/30/2031	90,000	94,815	94,815	129,000	34,185	136.05442%
	2,200,000	2,942,214	2,942,214	3,946,618	1,004,404	

BOND PRICING

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006

[Preliminary -- for discussion only]

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds (est'd yields):					
	06/15/2012	280,000	1.400%	1.400%	100.000
	06/15/2013	285,000	1.700%	1.700%	100.000
	06/15/2014	290,000	2.050%	2.050%	100.000
	06/15/2015	290,000	2.500%	2.500%	100.000
	06/15/2016	50,000	2.850%	2.850%	100.000
	06/15/2017	50,000	3.200%	3.200%	100.000
	06/15/2018	50,000	3.500%	3.500%	100.000
	06/15/2019	55,000	3.800%	3.800%	100.000
	06/15/2020	55,000	4.050%	4.050%	100.000
	06/15/2021	55,000	4.200%	4.200%	100.000
	06/15/2022	60,000	4.400%	4.400%	100.000
	06/15/2023	60,000	4.500%	4.500%	100.000
	06/15/2024	65,000	4.650%	4.650%	100.000
	06/15/2025	70,000	4.800%	4.800%	100.000
	06/15/2026	70,000	4.900%	4.900%	100.000
	06/15/2027	75,000	5.000%	5.000%	100.000
	06/15/2028	80,000	5.100%	5.100%	100.000
	06/15/2029	85,000	5.200%	5.200%	100.000
	06/15/2030	85,000	5.250%	5.250%	100.000
	06/15/2031	90,000	5.350%	5.350%	100.000
		2,200,000			

Dated Date	05/26/2011	
Delivery Date	05/26/2011	
First Coupon	12/15/2011	
Par Amount	2,200,000.00	
Original Issue Discount		
Production	2,200,000.00	100.000000%
Underwriter's Discount	-33,000.00	-1.500000%
Purchase Price	2,167,000.00	98.500000%
Accrued Interest		
Net Proceeds	2,167,000.00	

BOND SUMMARY STATISTICS

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006

[Preliminary -- for discussion only]

Dated Date	05/26/2011
Delivery Date	05/26/2011
First Coupon	12/15/2011
Last Maturity	06/15/2031
Arbitrage Yield	4.197770%
True Interest Cost (TIC)	4.443289%
Net Interest Cost (NIC)	4.330024%
All-In TIC	4.468219%
Average Coupon	4.330024%
Average Life (years)	7.791
Duration of Issue (years)	6.253
Par Amount	2,200,000.00
Bond Proceeds	2,200,000.00
Total Interest	742,214.19
Net Interest	775,214.19
Bond Years from Dated Date	17,141,111.11
Bond Years from Delivery Date	17,141,111.11
Total Debt Service	2,942,214.19
Maximum Annual Debt Service	353,739.19
Average Annual Debt Service	146,723.52
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	15.000000
Total Underwriter's Discount	15.000000
Bid Price	98.500000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Serial Bonds (est'd yields)	2,200,000.00	100.000	4.330%	7.791	1,285.00
	2,200,000.00			7.791	1,285.00

	TIC	All-In TIC	Arbitrage Yield
Par Value	2,200,000.00	2,200,000.00	2,200,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-33,000.00	-33,000.00	
- Cost of Issuance Expense		-3,300.00	
- Other Amounts			
Target Value	2,167,000.00	2,163,700.00	2,200,000.00
Target Date	05/26/2011	05/26/2011	05/26/2011
Yield	4.443289%	4.468219%	4.197770%

BOND DEBT SERVICE

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006
[Preliminary -- for discussion only]

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/15/2011			38,717.94	38,717.94	
06/15/2012	280,000	1.400%	35,021.25	315,021.25	
06/30/2012					353,739.19
12/15/2012			33,061.25	33,061.25	
06/15/2013	285,000	1.700%	33,061.25	318,061.25	
06/30/2013					351,122.50
12/15/2013			30,638.75	30,638.75	
06/15/2014	290,000	2.050%	30,638.75	320,638.75	
06/30/2014					351,277.50
12/15/2014			27,666.25	27,666.25	
06/15/2015	290,000	2.500%	27,666.25	317,666.25	
06/30/2015					345,332.50
12/15/2015			24,041.25	24,041.25	
06/15/2016	50,000	2.850%	24,041.25	74,041.25	
06/30/2016					98,082.50
12/15/2016			23,328.75	23,328.75	
06/15/2017	50,000	3.200%	23,328.75	73,328.75	
06/30/2017					96,657.50
12/15/2017			22,528.75	22,528.75	
06/15/2018	50,000	3.500%	22,528.75	72,528.75	
06/30/2018					95,057.50
12/15/2018			21,653.75	21,653.75	
06/15/2019	55,000	3.800%	21,653.75	76,653.75	
06/30/2019					98,307.50
12/15/2019			20,608.75	20,608.75	
06/15/2020	55,000	4.050%	20,608.75	75,608.75	
06/30/2020					96,217.50
12/15/2020			19,495.00	19,495.00	
06/15/2021	55,000	4.200%	19,495.00	74,495.00	
06/30/2021					93,990.00
12/15/2021			18,340.00	18,340.00	
06/15/2022	60,000	4.400%	18,340.00	78,340.00	
06/30/2022					96,680.00
12/15/2022			17,020.00	17,020.00	
06/15/2023	60,000	4.500%	17,020.00	77,020.00	
06/30/2023					94,040.00
12/15/2023			15,670.00	15,670.00	
06/15/2024	65,000	4.650%	15,670.00	80,670.00	
06/30/2024					96,340.00
12/15/2024			14,158.75	14,158.75	
06/15/2025	70,000	4.800%	14,158.75	84,158.75	
06/30/2025					98,317.50
12/15/2025			12,478.75	12,478.75	
06/15/2026	70,000	4.900%	12,478.75	82,478.75	
06/30/2026					94,957.50
12/15/2026			10,763.75	10,763.75	
06/15/2027	75,000	5.000%	10,763.75	85,763.75	
06/30/2027					96,527.50
12/15/2027			8,888.75	8,888.75	
06/15/2028	80,000	5.100%	8,888.75	88,888.75	
06/30/2028					97,777.50
12/15/2028			6,848.75	6,848.75	
06/15/2029	85,000	5.200%	6,848.75	91,848.75	
06/30/2029					98,697.50
12/15/2029			4,638.75	4,638.75	
06/15/2030	85,000	5.250%	4,638.75	89,638.75	
06/30/2030					94,277.50
12/15/2030			2,407.50	2,407.50	
06/15/2031	90,000	5.350%	2,407.50	92,407.50	
06/30/2031					94,815.00
	2,200,000		742,214.19	2,942,214.19	2,942,214.19

AGGREGATE NET REFUNDING DEBT SERVICE

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006

[Preliminary -- for discussion only]

Debt Service of Proposed and Unrefunded Bonds

Date	Proposed Debt Service (net of Accrued)	Fund Earnings & Draws	Unrefunded and/or Other Debt Service	Total	Annual Total
05/27/2011			281,228.87	281,228.87	
06/30/2011					281,228.87
12/15/2011	38,717.94	-50.69		38,667.25	
06/15/2012	315,021.25	-45.85		314,975.40	
06/30/2012					353,642.65
12/15/2012	33,061.25	-45.85		33,015.40	
06/15/2013	318,061.25	-45.85		318,015.40	
06/30/2013					351,030.80
12/15/2013	30,638.75	-45.85		30,592.90	
06/15/2014	320,638.75	-45.85		320,592.90	
06/30/2014					351,185.80
12/15/2014	27,666.25	-45.85		27,620.40	
06/15/2015	317,666.25	-45.85		317,620.40	
06/30/2015					345,240.80
12/15/2015	24,041.25	-45.85		23,995.40	
06/15/2016	74,041.25	-45.85		73,995.40	
06/30/2016					97,990.80
12/15/2016	23,328.75	-45.85		23,282.90	
06/15/2017	73,328.75	-45.85		73,282.90	
06/30/2017					96,565.80
12/15/2017	22,528.75	-45.85		22,482.90	
06/15/2018	72,528.75	-45.85		72,482.90	
06/30/2018					94,965.80
12/15/2018	21,653.75	-45.85		21,607.90	
06/15/2019	76,653.75	-45.85		76,607.90	
06/30/2019					98,215.80
12/15/2019	20,608.75	-45.85		20,562.90	
06/15/2020	75,608.75	-45.85		75,562.90	
06/30/2020					96,125.80
12/15/2020	19,495.00	-45.85		19,449.15	
06/15/2021	74,495.00	-45.85		74,449.15	
06/30/2021					93,898.30
12/15/2021	18,340.00	-45.85		18,294.15	
06/15/2022	78,340.00	-45.85		78,294.15	
06/30/2022					96,588.30
12/15/2022	17,020.00	-45.85		16,974.15	
06/15/2023	77,020.00	-45.85		76,974.15	
06/30/2023					93,948.30
12/15/2023	15,670.00	-45.85		15,624.15	
06/15/2024	80,670.00	-45.85		80,624.15	
06/30/2024					96,248.30
12/15/2024	14,158.75	-45.85		14,112.90	
06/15/2025	84,158.75	-45.85		84,112.90	
06/30/2025					98,225.80
12/15/2025	12,478.75	-45.85		12,432.90	
06/15/2026	82,478.75	-45.85		82,432.90	
06/30/2026					94,865.80
12/15/2026	10,763.75	-45.85		10,717.90	
06/15/2027	85,763.75	-45.85		85,717.90	
06/30/2027					96,435.80
12/15/2027	8,888.75	-45.85		8,842.90	
06/15/2028	88,888.75	-45.85		88,842.90	
06/30/2028					97,685.80
12/15/2028	6,848.75	-45.85		6,802.90	
06/15/2029	91,848.75	-45.85		91,802.90	
06/30/2029					98,605.80
12/15/2029	4,638.75	-45.85		4,592.90	
06/15/2030	89,638.75	-45.85		89,592.90	
06/30/2030					94,185.80
12/15/2030	2,407.50	-45.85		2,361.65	
06/15/2031	92,407.50	-183,450.25		-91,042.75	
06/30/2031					-88,681.10
	2,942,214.19	-185,243.24	281,228.87	3,038,199.82	3,038,199.82



SUMMARY OF REFUNDING RESULTS

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006

[Preliminary -- for discussion only]

Dated Date	05/26/2011
Delivery Date	05/26/2011
Arbitrage yield	4.197770%
Escrow yield	
Bond Par Amount	2,200,000.00
True Interest Cost	4.443289%
Net Interest Cost	4.330024%
All-In TIC	4.468219%
Average Coupon	4.330024%
Average Life	7.791
Par amount of refunded bonds	2,550,000.00
Average coupon of refunded bonds	4.647074%
Average life of refunded bonds	5.463
PV of prior debt to 05/26/2011 @ 4.197770%	2,653,528.99
Net PV Savings	15,704.52
Percentage savings of refunded bonds	0.615864%
Percentage savings of refunding bonds	0.713842%

SAVINGS

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006
 [Preliminary -- for discussion only]

Savings Summary

PV of savings from cash flow	172,300.12
Less: Prior funds on hand	-340,000.00
Plus: Refunding funds on hand	183,404.40
Net PV Savings	15,704.52

SUMMARY OF BONDS REFUNDED

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011 (WASHINGTON COUNTY RURAL WATER PROJECT No. 2)

Pay & Cancel Refunding of Ser. 2006

[Preliminary -- for discussion only]

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Ser 2006A Rev Bonds mat. 2022 (callable 5/26/11):					
SER	06/15/2011	4.250%	225,000.00	05/26/2011	100.000
	06/15/2012	4.150%	240,000.00	05/26/2011	100.000
	06/15/2013	4.350%	235,000.00	05/26/2011	100.000
	06/15/2014	4.450%	245,000.00	05/26/2011	100.000
	06/15/2015	4.450%	245,000.00	05/26/2011	100.000
	06/15/2016	4.500%	140,000.00	05/26/2011	100.000
	06/15/2017	4.550%	160,000.00	05/26/2011	100.000
TERM22	06/15/2018	4.600%	180,000.00	05/26/2011	100.000
	06/15/2019	4.750%	200,000.00	05/26/2011	100.000
	06/15/2020	4.750%	200,000.00	05/26/2011	100.000
	06/15/2021	4.750%	230,000.00	05/26/2011	100.000
	06/15/2022	4.750%	250,000.00	05/26/2011	100.000
			2,550,000.00		



ESCROW REQUIREMENTS

**PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
WATER PROJECT REFUNDING REVENUE BONDS, SERIES 2011
(WASHINGTON COUNTY RURAL WATER PROJECT No. 2)**

**Pay & Cancel Refunding of Ser. 2006
[Preliminary -- for discussion only]**

Dated Date 05/26/2011
Delivery Date 05/26/2011

Ser 2006A Rev Bonds mat. 2022 (callable 5/26/11)

Period Ending	Interest	Principal Redeemed	Total
05/26/2011	51,524.47	2,550,000.00	2,601,524.47
	51,524.47	2,550,000.00	2,601,524.47

**EXTRACT FROM MINUTES OF MEETING
OF THE BOARD OF DIRECTORS
OF PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

A meeting of the Board of Directors of Papio-Missouri River Natural Resources District, in the State of Nebraska, (the “**District**”) was held at ____:____ p.m. on May ____, 2011, at the Natural Resources Center of the District, 8901 S. 154th St., Omaha, Nebraska, in a publicly convened session, the same being open to the attendance of the public and having been preceded by advance publicized notice, said advance publicized notice having been given in strict accordance with the provisions of Article 14, Chapter 84, Reissue Revised Statutes of Nebraska, as amended, and having set forth (a) the time, date, and place of this meeting; (b) that this meeting would be open to the attendance of the public; and (c) that an agenda of then known subjects to be taken up at the meeting could be obtained from the office of the District. A copy of the affidavit of publication of said advance publicized notice was ordered annexed to the minutes of this meeting. Additionally, reasonable efforts were made to provide advance notification of the meeting to all news media requesting the same of the time, date, and place of the meeting. All proceedings hereafter shown were taken while the meeting was open to the attendance of the public.

The following members were present: _____

_____.

Absent: _____.

A quorum being present and the meeting duly commenced, the following proceedings were had and done. The Chairperson of the Board publicly stated to all in attendance that a current copy of the Nebraska Open Meetings Act was posted for review and indicated the location of such copy in the room where the meeting was being held.

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

RESOLUTION NO. _____

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

Section 1. The following obligations of the Papio-Missouri River Natural Resources District, in the State of Nebraska, in accordance with their option provisions are hereby authorized to be called for redemption on such date as set forth in the Designation of Call Date (as defined below), after which date interest on the bonds will cease:

Water Project Revenue Bonds (Washington County Rural Water Project No. 2), Series 2006A, in the principal amount of Two Million Three Hundred Twenty-five Thousand Dollars (\$2,325,000), 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>
\$240,000	June 15, 2012	4.15%
235,000	June 15, 2013	4.35
245,000	June 15, 2014	4.45
245,000	June 15, 2015	4.45
140,000	June 15, 2016	4.50
160,000	June 15, 2017	4.55
180,000	June 15, 2018	4.60
880,000	June 15, 2022	4.75

Said bonds are hereinafter referred to as the "Refunded Bonds."

The Refunded Bonds are subject to redemption at any time on or after _____, 2011, at par and accrued interest, and said interest is payable semiannually. The proceeds of the Refunded Bonds were used for the purpose of financing costs of improvements in Washington County Rural Water Project No. 2 of the District.

Section 2. The Refunded Bonds are to be paid at the office of The Fremont National Bank and Trust Company, in Fremont, Nebraska, as paying agent and registrar.

Section 3. The Chairperson of the Board of Directors the District or the General Manager of the District (each, an "Authorized Officer") are each individually hereby authorized at any time on or after the date of this resolution to determine the Call Date for said Bonds on behalf of the District and such determination, when made in writing (the "Designation of Call Date"), shall constitute the action of the District without further action of the Board of Directors of the District. The Call Date shall be set for any date prior to _____, 2011, and after such date the Authorized Officers shall have no authority to make any such determination hereunder without further action of the Board of Directors of the District and this resolution shall be of no further force and effect.

Section 4. A true copy of the Designation of Call Date shall be filed at least thirty days prior to the Call Date with The Fremont National Bank and Trust Company, in Fremont, Nebraska, as Paying Agent for the Refunded Bonds, and said Paying Agent is hereby instructed to mail notice to each registered owner of said bonds not less than thirty days prior to the date fixed for redemption, all in accordance with the resolution and authorizing the Refunded Bonds.

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 NO. _____

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

Section 1. The Board of Directors of the Papio-Missouri River Natural Resources District, in the State of Nebraska, (the "District") hereby finds and determines that (a) the District has established an improvement project area to serve portions of Washington County and to provide for certain facilities to serve areas of the City of Blair, Nebraska, (the "City"), separate and apart from the District's previously created Washington County Rural Water Project No. 1, and has designated this second rural water project in Washington County as "Washington County Rural Water Project No. 2" (herein referred to as "WC Project No. 2"); that WC Project No. 2 was established under the terms of Section 2-3252 to 2-3255, R.R.S. Neb. 2007, as amended, (the "Project Area Act") and the District has provided for notice and hearing with respect to WC Project No. 2 as required by law; (b) that in addition to the rural water project area and as an integral part of the system of providing service to WC Project No. 2, the District has determined it necessary to include certain improvements to provide emergency service and ancillary service to the City to serve certain residential and commercial regions of the City and areas to be developed within the City's zoning jurisdiction; that both the City and The County of Washington (the "County") have declared their interest in the development of water service for WC Project No. 2 and the City and have entered into an agreement with the District entitled "Interlocal Cooperation Act Agreement" executed by the District on January 15, 2004, by the County on January 13, 2004 and by the City on January 13, 2004 (the "Interlocal Agreement"); (c) that the Interlocal Agreement provides for certain payments from the City and the County to support repayment of indebtedness incurred by the District for the rural water distribution system improvements as described in the Interlocal Agreement; (d) that the District has constructed the rural water system improvements to serve WC Project No. 2 and as called for under the terms of the Interlocal Agreement and such improvements have been completed and taken together constitute single and separate water facilities (such improvements being herein referred to and collectively designated as the "WC2 Water System"; that for purposes of this Resolution such definition shall include the WC2 Water System as presently existing and all additions, extensions and improvements thereto hereafter constructed by the District for such system) for which revenue bonds may be issued under the terms of Section 2-3226, R.R.S. Neb. 1997, as amended, (the "Act"); (e) that the District has issued and outstanding its Water Project Revenue Bonds (Washington County Rural Water Project No. 2), Series 2006A (the "2006A Bonds") in the aggregate original principal amount of \$3,400,000, and the revenues of the WC2 Water System have been pledged for repayment of the 2006A Bonds; and the District has issued and outstanding its Junior Lien Water Project Revenue Bond (Washington County Rural Water Project No. 2), Series 2006B, (the "2006B Bond") which is secured by a lien on the WC2 Water System that is junior in priority to the lien with respect to the 2006A Bonds; (f) that the District determines it appropriate to proceed with the refunding of the 2006A Bonds and the 2006B Bonds to achieve better overall debt service coverage on the outstanding indebtedness payable from the WC2 Water System revenues and that it is appropriate for the issuance of such refunding bonds to provide permanent financing for WC2 Water System as a whole and not to issue improvement project area bonds under the Project Area Act; (g) that the WC2 Water System constitutes a revenue producing facility under the terms of the Act, taking into consideration both revenues from users in WC2 Project Area and payments to be received by the District under the terms of the Interlocal Agreement; (h) that other than the 2006A Bonds and the 2006B Bond there is presently no indebtedness of the District for which the revenues of the WC2 Water System have been pledged; (i) that contemporaneously with the issuance of the revenue refunding bonds herein authorized the District is issuing its Junior Lien Water Project Revenue Refunding Bond (Washington County Rural Water Project No. 2), Series 2011B, (the "Junior Bond") to be secured by a junior lien on the revenues of the WC2 Water System in accordance with the terms of this Resolution and

the resolution authorizing its issuance (the "Junior Lien Resolution"); (j) that the proceeds of the revenue bonds herein authorized and the Junior Bond will be sufficient to redeem in full the 2006A Bonds and to pay the 2006B Bond at maturity, fund appropriate reserves and pay costs of issuance, and that by resolution adopted contemporaneously herewith the 2006A Bonds have been authorized to be called for redemption on such date (the "Redemption Date") determined pursuant to the resolution calling such bonds for redemption; and (k) that all conditions required to exist or to be done precedent to the issuance of the Water Project Revenue Refunding Bonds (Washington County Rural Water Project No. 2), Series 2011A, herein authorized pursuant to the Act in the principal amount of not to exceed \$ _____, do exist and have been done.

Section 2. 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 "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 WC2 Water System, including any and all payments to be received by the District for such system under the terms of the Interlocal Agreement.

(b) 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 2011 Bonds, including all such bonds issued pursuant to Section 15 and refunding bonds issued pursuant to Section 16.

(c) 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, the principal of any bonds for which mandatory redemptions are scheduled shall be treated as maturing in accordance with such schedule of mandatory redemptions.

(d) 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.

(e) The term "Net Revenues" shall mean the revenues (as defined above), not including any income from the sale or other disposition of any property belonging to or forming a part of the WC2 Water System, less the ordinary expenses for operating and maintaining the WC2 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.

(f) The term "Paying Agent and Registrar" shall mean The Fremont National Bank and Trust Company, of Fremont, Nebraska, as appointed to act as paying agent and registrar for the 2011A Bonds pursuant to Section 4 hereof, or any successor thereto.

Section 3. To provide for redemption of the 2006A Bonds and the 2006B Bonds as described in Section 1 hereof, including costs of issuance and funding of a debt service reserve, there shall be and there are hereby ordered issued negotiable bonds of the District to be designated as "Water Project Revenue Refunding Bonds (Washington County Rural Water Project No. 2), Series 2011A" (the "2011A Bonds") in the aggregate principal amount of not to exceed _____ Dollars (\$ _____), with said bonds bearing interest at the rates per annum and to become due on June 15 of each year in such principal amounts as follows:

Principal

Date of Maturity

provided, that the 2011A Bonds shall bear interest at the rates per annum as shall be determined in a written designation (the "Designation") signed by the Chairperson and/or General Manager of the District (the "Authorized Officers") on behalf of the Board of Directors and which may be agreed to by D.A. Davidson & Co. (the "Underwriter"), which Designation may also determine or modify the principal amount for each maturity of the 2011A Bonds, mandatory redemption provisions (if any), and pricing terms as set forth in Section 8 below, all within the following limitations:

- (a) the aggregate principal amount of the 2011A Bonds shall not exceed \$ _____;
- (b) the aggregate amount of original issue premium and original issue discount (if any) may result in an aggregate net original issue discount (if any) not in excess of one percent (1.00%) of the stated principal amount of the 2011A Bonds;
- (c) the longest maturity of the 2011A Bonds may not be later than June 15, 20____;

- (d) the 2011A Bonds shall bear interest at such rates per annum as determined in the Designation, so long as the true interest cost of the 2011A Bonds does not exceed _____ %
- (e) the principal amount of any maturity of the 2011A Bonds may be reduced by any amount determined in the Designation but not increased by more than \$10,000 or 20%, whichever is greater;
- (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 2011A 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 of Directors of the District 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 Board of Directors without further action of the Board of Directors of the District.

The 2011A Bonds maturing last shall also be subject to extraordinary redemption (“Extraordinary Redemption”) from retained revenues at any time on and after December 15, 20____, (as described in Section 6 and Subsection 13(e)(3) of this Resolution) from funds in the Retained Revenues Account. The 2011A 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 2011A Bonds shall be the date of delivery thereof. Interest on the 2011A Bonds, at the respective rate for each maturity, shall be payable semiannually on June 15 and December 15 of each year commencing December 15, 2011 (each an “Interest Payment Date”), and the 2011A Bonds shall bear such interest from the date of original issue or the most recent Interest Payment Date, 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 (the “Record Date”), subject to the provisions of Section 5 hereof. The 2011A Bonds shall be numbered from 1 upwards in the order of their issuance. No 2011A 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 2011A Bonds issued shall be as directed by the initial purchaser thereof. Payments of interest due on the 2011A 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 2011A 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 2011A Bonds to the Paying Agent and Registrar. The District and the Paying Agent and Registrar may treat the registered owner of any 2011A Bond as the absolute owner of such 2011A 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 2011A 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 2011A 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 2011A Bonds or claims for interest to the extent of the sum or sums so paid.

Section 4. The Fremont National Bank and Trust Company is hereby designated to serve as Paying Agent and Registrar for the 2011A 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. The Chairperson and Secretary are 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 2011A Bonds at its principal corporate trust office in Fremont, Nebraska. The names and registered addresses of the registered owner or owners of the 2011A Bonds shall at all times be recorded in such books. Any 2011A Bond may be transferred pursuant to its provisions at the office of said Paying Agent and Registrar by surrender of such 2011A 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 its 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 2011A Bond or 2011A Bonds of the same series, interest rate, aggregate principal amount and maturity. To the extent of the denominations authorized for the 2011A Bonds by this Resolution, one 2011A Bond may be transferred for several such 2011A Bonds of the same series, interest rate and maturity, and for a like aggregate principal amount, and several such 2011A Bonds may be transferred for one or several such 2011A Bonds, respectively, of the same series, interest rate and maturity and for a like aggregate principal amount. In every case of transfer of a 2011A Bond, the surrendered 2011A Bond shall be canceled and destroyed. All 2011A Bonds issued upon transfer of the 2011A Bonds so surrendered shall be valid obligations of the District evidencing the same obligations as the 2011A Bonds surrendered and shall be entitled to all the benefits and protection of this Resolution to the same extent as the 2011A Bonds upon transfer of which they were delivered. The District and said Paying Agent and Registrar shall not be required to transfer any 2011A Bond during any period from any Record Date until its immediately following Interest Payment Date or to transfer any 2011A Bond called for redemption for a period of 30 days next preceding the date fixed for redemption.

Section 5. In the event that payments of interest due on the 2011A 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 2011A 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. The 2011A Bonds maturing on or after June 15, 2016, shall be subject to optional redemption ("Optional Redemption"), in whole or in part, prior to maturity on the fifth 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.

In addition, as and to the extent that term maturities are provided for in the Designation, such term bonds are required to be redeemed, as Mandatory Sinking Fund Redemptions, prior to their stated maturity on June 15 of the years designated in such schedule for the Term Bonds through and including payment at the designated term maturity, in part, in the amounts shown, 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.

To the extent there are funds available in the Retained Revenues Account as set forth in Section 13(e)(3) of this Resolution (in \$5,000 amounts or integral multiples thereof), 2011A Bonds last falling due shall be redeemed, as Extraordinary Redemptions, on December 15 of each year commencing with December 15, 2011, in such amounts as are available as of the immediately preceding November 1.

The Paying Agent and Registrar shall select any such Term Bonds for Mandatory Redemption or Extraordinary Redemption using any random method of selection deemed appropriate by the Paying Agent and Registrar. On or before the forty-fifth (45th) day prior to any Mandatory Redemption date designated in the Designation or any date set for an Extraordinary Redemption as provided in this Section 6, the Paying Agent and Registrar shall proceed to select for redemption, from all the Term Bonds then subject to redemption, an aggregate principal amount of such Term Bonds, as the case may be, equal to the amount then subject to Mandatory Sinking Fund Redemption or Extraordinary Redemption and shall call such Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) for redemption and give notice of such call.

The 2011A Bonds shall be redeemed only in amounts of \$5,000 or integral multiples thereof. Any 2011A Bond redeemed in part only shall be surrendered to said Paying Agent and Registrar in exchange for a new 2011A Bond evidencing the unredeemed principal thereof. Notice of redemption of any 2011A Bond called for redemption shall be given, in the case of Optional Redemption and Extraordinary Redemption at the direction of the District and without further direction in the case of Mandatory Sinking Fund Redemption, 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 2011A Bond at said owner's registered address. Such notice shall designate the 2011A Bond or 2011A Bonds to be redeemed by maturity or otherwise, the date of original issue and the date fixed for redemption and shall state that such 2011A Bond or 2011A Bonds are to be presented for prepayment at the principal corporate trust office of said Paying Agent and Registrar. In case of any 2011A Bond partially redeemed, such notice shall specify the portion of the principal amount of such 2011A Bond to be redeemed. No defect in the mailing of notice for any 2011A Bond shall affect the sufficiency of the proceedings of the District designating the 2011A Bonds called for redemption or the effectiveness of such call for the 2011A 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 2011A Bond for which defective notice has been given.

Section 7. If the date for payment of the principal of or interest on the 2011A Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the principal 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.

Section 8. The 2011A Bonds shall be in substantially the following form:

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

WATER PROJECT REVENUE REFUNDING BOND
(WASHINGTON COUNTY RURAL WATER PROJECT NO. 2), SERIES 2011A

No. _____ \$ _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
_____ %	June 15, 20____	_____, 2011	

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, whichever is later, at the rate per annum specified above, payable semiannually on June 15 and December 15 of each year commencing December 15, 2011 (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 principal corporate trust office of The Fremont National Bank and Trust Company, as Paying Agent and Registrar, in Fremont, Nebraska. 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. 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 "Series 2011A Bonds"), which were issued by the District for the purpose of refunding its Water Project Revenue Bonds (Washington County Rural Water Project No. 2), Series 2006A, in the outstanding principal amount of \$_____, which bonds were issued for the purpose of paying 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, to fund certain debt service reserves 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. 2007, as amended, and Section 10-142, R.R.S. Neb. 2007.

The bonds of said issue maturing on or after June 15, 2017, are subject to redemption at the option of the District, in whole or in part, on the fifth 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 Series 2011A Bonds due as term bonds in the year 20____ (the "Term Bonds") are required to be redeemed, in part, prior to their stated maturity, commencing on June 15, 20____, 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 Term Bonds are also subject to extraordinary redemption on or after December 15, 2007, as set forth in the Resolution. The Paying Agent and Registrar shall select the Term Bonds for mandatory redemption or extraordinary 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 Series 2011A Bonds for redemption in its sole discretion. Notice of redemption shall be given by mail to the registered owner of any Series 2011A Bond called for redemption in the manner specified in the Resolution authorizing said issue of bonds. 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 principal 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 principal 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 separate water distribution system of the District for purposes of serving certain areas of the City of Blair, Nebraska, and the District's Washington County Rural Water Project No. 2, including all improvements and additions thereto hereafter constructed or acquired, (the "WC2 Water System"), are pledged and hypothecated by the District for the payment of this bond and the other Series 2011A Bonds and for the payment of any additional bonds of equal priority issued in accordance with the terms of the Resolution authorizing the Series 2011A Bonds. The Series 2011A Bonds are a lien only upon said revenues and earnings and are not general obligations of the District.

The Resolution authorizing the Series 2011A Bonds sets forth the covenants and obligations of the District with respect to the WC2 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 "WC2 Project Fund" as established under the Resolution and disbursed to pay costs of operation and maintenance of the WC2 Water System, make payments of principal and interest on the Series 2011A Bonds and any additional bonds of equal priority with said Series 2011A Bonds and other payments as specified in the Resolution authorizing the Series 2011A Bonds. The Resolution authorizing the Series 2011A Bonds also designates the terms and conditions under which additional bonds of equal priority with the Series 2011A 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 authorizing the Series 2011A Bonds, the District also reserves the right to issue bonds or notes junior in lien to the Series 2011A Bonds and any additional bonds of equal priority to the Series 2011A Bonds, the principal and interest of which shall be payable from monies in the "Retained Revenues Account" of the WC2 Project Fund as described in the Resolution authorizing the 2011A Bonds. The Resolution provides certain specific rights with respect to the District's Junior Lien Water Project Revenue Refunding Bond (Washington County Rural Water Project No. 2), Series 2011B, being issued contemporaneously with the issuance of the Series 2011A Bonds.

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.

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. Each of the 2011A Bonds shall be executed on behalf of the District with the manual or facsimile signatures of the Chairperson and Secretary of the District. The 2011A 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 2011A Bonds. Upon the issuance of the 2011A 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 2011A Bonds as securities depository (each, a “Bond Participant”) or to any person who is an actual purchaser of a 2011A Bond from a Bond Participant while the 2011A 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 2011A 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 2011A 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 2011A Bonds. The Paying Agent and Registrar shall make payments with respect to the 2011A 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 2011A Bonds to the extent of the sum or sums so paid. No person other than the Depository shall receive an authenticated 2011A 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 2011A 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 2011A Bonds or (ii) to make available 2011A Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging such 2011A Bonds shall designate.

(c) If the District determines that it is desirable that certificates representing the 2011A Bonds be delivered to the Bond Participants and/or Beneficial Owners of the 2011A 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 repre-

senting the 2011A Bonds. In such event, the Paying Agent and Registrar shall issue, transfer and exchange bond certificates representing the 2011A 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 2011A Bond is registered in the name of the Depository or any nominee thereof, all payments with respect to such 2011A Bond and all notices with respect to such 2011A Bond shall be made and given, respectively, to the Depository as provided in the Letter of Representations.

(e) Registered ownership of the 2011A Bonds may be transferred on the books of registration maintained by the Paying Agent and Registrar, and the 2011A Bonds may be delivered in physical form to the following:

(i) any successor securities depository or its nominee;

(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 2011A Bond unless and until such partially redeemed 2011A 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 2011A Bond as is then outstanding and all of the 2011A 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 2011A Bond shall cease to be such officer before the delivery of such 2011A 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 2011A Bond. The 2011A Bonds shall not be valid and binding on the District until authenticated by the Paying Agent and Registrar. The 2011A Bonds shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration and authentication of the 2011A 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 _____% of the stated principal amount of the Bonds plus accrued interest, if any, on the stated principal amount of the Bonds to date of payment and delivery (which purchase price may be modified to take into account original issue discount and original issue premium, as determined in the Designation). 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 2011A Bonds, including, without limitation, authorizing the release of the 2011A Bonds by the Depository at closing. A record of information with respect to the 2011A Bonds shall also be filed with the office of the Auditor of Public Accounts as required under Section 10-140, R.R.S. Neb. 2007, as amended. The Underwriter shall have the right to direct the registration of the 2011A 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 2011A 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. For the payment of the 2011A Bonds, both principal and interest, together with any Additional Bonds, both principal and interest, the District hereby pledges and hypothecates the entire revenues and earnings of the WC2 Water System (including all amounts receivable by the District under the terms of the Interlocal Agreement) as a first and prior pledge and encumbrance of such revenues, in accordance with the terms of this Resolution. The pledge and hypothecation provided for the 2011A 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 WC2 Water System (including all amounts receivable by the District under the terms of the Interlocal Agreement) superior to any pledge, lien or security interest made or given with respect to any other indebtedness of the District as to its WC2 Water System 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 WC2 Water System and the revenues and earnings thereof (including all amounts receivable by the District under the terms of the Interlocal Agreement). The District is issuing the Junior Bond contemporaneously with the issuance of the 2011A Bonds and the Junior Bond shall be payable from the revenues as provided under the terms of this Resolution, specifically Section 13 hereof.

Section 11. The proceeds of the 2011A Bonds shall be deposited with the District's Treasurer and applied to pay costs of issuance and the balance of the proceeds of the 2011A Bonds shall be applied to redeem the 2006A Bonds and a portion of the 2006B Bonds.

Section 12. 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 WC2 Water System which, in the aggregate and taking into consideration amounts to be received under the terms of the Interlocal Agreement, shall be sufficient at all times to enable the District to pay the principal and interest on the 2011A Bonds and any Additional Bonds as the same become due. The District will maintain and collect rates and charges for all services furnished from its WC2 Water System adequate to produce revenues and earnings, taking into consideration amounts to be received under the terms of the Interlocal Agreement, sufficient at all times:

- (a) to provide for the payment of interest on and principal of the 2011A Bonds and any Additional Bonds as such interest and principal become due;
- (b) to pay all reasonable costs of operation and maintenance of the WC2 Water System, including adequate insurance as provided by this Resolution and to pay for the necessary and reasonable repairs, replacements and extensions of said WC2 Water System; and
- (c) to maintain the 2011A Debt Service Reserve Account as hereinafter set forth and any debt service reserve account hereafter required for Additional Bonds.

Section 13. In connection with the pledge of the revenues and earnings of the WC2 Water System for the payment of the 2011A Bonds and any Additional Bonds as authorized by this Resolution and interest on such 2011A Bonds and Additional Bonds, as set forth in Section 10 of this Resolution, the District does hereby agree with the holders of said 2011A Bonds as follows:

(a) **WC2 PROJECT FUND** - The entire gross revenues and income derived from the operation of the WC2 Water System (including all amounts received pursuant to the terms of the Interlocal Agreement) shall be set aside as collected and deposited in a separate fund which is hereby ordered established and designated as the "WC2 Project Fund." For purposes of allocating the monies in the WC2 Project 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 WC2 Project 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 WC2 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 WC2 Project Fund there shall be credited monthly on or before the first day of each month to the Bond Payment Account, starting with the month of July, 2011 (or such other month as determined in the Designation), the following amounts (the "Bond Payment Amounts"):

- (1) for the period from ____ 1, 2011 until and including December 1, 2006, an amount equal to 1/___ of the semiannual interest payment on the 2011A Bonds maturing December 15, 2011;
- (2) for the period from January 1, 2012 until the 2011A Bonds have been paid in full, an amount equal to 1/6th of the next maturing semiannual interest payment on the 2011A Bonds;
- (3) for the period from ____ 1, 2011 until and including June 1, 2012, an amount equal to 1/____th of the principal payment on the 2011A Bonds maturing June 15, 2012;
- (4) for the period from July 1, 2012 until the 2011A Bonds have been paid in full, an amount equal to 1/12th of the next maturing principal payment for the 2011A Bonds (including as principal maturing each Mandatory Sinking Fund Redemption, if any, required under the terms of this Resolution).

Because revenues payable into the WC2 Project Fund from the time of issuance of the 2011A Bonds until calendar year 2015 will be more dependent upon amounts to be received under the terms of the Interlocal Agreement, the failure of the District to make any of the deposits shown in this Subsection 13(c) due to insufficient revenues shall not constitute a default on the part of the District in any way so long as all revenues available, after making the deposits required under Subsection 13(b), have been deposited to meet the deposit requirements of this Subsection 13(c). Upon receipt by the District of any revenues required for the WC2 Project Fund under the terms of the Interlocal Agreement, such receipts shall be applied first to make up any deficiencies in the deposits required under Subsection 13(b), then to make up any deficiencies in the deposits required under this Section 13(c) and then to make in advance deposits required under the terms of this Section

13(c) with respect to the 2011A Bonds such that all deposit amounts required to make payments on the 2011A Bonds falling due on the then next two Interest Payment Dates (including both principal and interest) have been deposited to the Bond Payment Account. 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 2011A Bonds or any Additional Bonds and to transfer such amounts due to the Paying Agent and Registrar (or other paying agent for Additional Bonds) 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 2011A Bonds (the “2011A Sub-account”). The District agrees that it shall deposit from monies on hand or from bond proceeds the amount of \$_____ as the amount required to be maintained in the 2011A 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 2011A Bonds, the 2011A Sub-account), as needed to provide funds to pay, when due, the principal and interest on the 2011A 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 WC2 Project 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, including no such reserve sub-account, if deemed appropriate) and any such separate debt service reserve account shall have the right to share, in the event of drawings upon the 2011A Sub-account and such reserve sub-account for Additional Bonds, in revenues available in the WC2 Project 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 2011A Sub-account with respect to the 2011A Bonds or in any debt service reserve sub-account for any issue of Additional Bonds 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 2011A 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 WC2 Project Fund remaining after the credits required in the foregoing Subsections 13(b), 13(c) and

13(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 13(b), 13(c) and 13(d); (2) second, to the "Junior Bond Payment Sub-account" as established under the Junior Lien Resolution to provide in full for the amount of interest falling due on the next two succeeding interest payment dates for the Junior Bond (that is the then next December 10 and June 10) in accordance with the terms of the Junior Lien Resolution; (3) third, to be applied for the Extraordinary Redemption of Term Bonds as provided for in Section 3 and Section 6 of this Resolution, to the extent any Term Bonds are outstanding; (4) fourth, to provide for any deposit to the "Junior Bond Redemption Sub-account" determined appropriate by the District or as may be required under the terms of the Junior Lien Resolution to be applied to prepay principal in accordance with the terms of the Junior Lien Resolution; (5) fifth, to retire any of the 2011A Bonds or any Additional Bonds prior to their maturity, (6) sixth to provide for replacements for or improvements to the WC2 Water System, (7) seventh to pay principal of and interest on any junior lien indebtedness in addition to the Junior Bond incurred with respect to the WC2 Water System, and (8) eighth to provide for any other lawful purpose of the District related to the WC2 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 13. Monies credited to the WC2 Project 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 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 WC2 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 WC2 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.

Section 14. So long as any 2011A Bonds or Additional Bonds are outstanding, the District hereby covenants and agrees as follows:

(a) The District will maintain the WC2 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 WC2 Water System so long as the revenue derived from the District's ownership of the properties constituting the WC2 Water System shall be sufficient to fulfill the District's obligations under Sections 11, 12 and 13 of 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 WC2 Water System.

(c) The District will maintain insurance on the property constituting the WC2 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 WC2 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 WC2 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 WC2 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(e). 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 WC2 Water System. The District will have its operating and financial statements related to the WC2 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 2011A Bonds and to the original purchaser or purchasers of each series of Additional Bonds issued hereunder, within four months after the end of each fiscal year of the WC2 Water System, a copy of the financial statements of the WC2 Water System and the report thereon of the certified public accountants.

(e) The District shall cause each person handling any of the monies in the WC2 Project 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 15. To provide funds for any purpose related to the WC2 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 WC2 Water System having equal priority and on a parity with the 2011A 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 2011A 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 of the three following requirements:

1) The Net Revenues derived by the District from its WC2 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 2011A 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 WC2 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 2011A 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 WC2 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 WC2 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; or

(3) If only the 2011A Bonds are outstanding under this Resolution and no other Additional Bonds have previously been issued and the proposed Additional Bonds are being issued for the purpose of refunding the Junior Bond or any subsequently issued junior lien indebtedness incurred for the purpose of refinancing the indebtedness originally evidenced by the Junior Bond and all of the payments of principal on such Additional Bonds are set to mature after the last maturity of the 2011A Bonds, then Additional Bonds may be issued without compliance with either of the tests set forth in Subsections 15(b)(1) and 15(b)(2).

The issuance of any Additional Bonds under this Section 15 is further limited by the terms of the Junior Lien Resolution. The District hereby covenants and agrees that so long as any of the 2011A Bonds and any Additional Bonds are outstanding, it will not issue any bonds or notes payable from the revenues of the WC2 Water System except in accordance with the provisions of this Resolution, provided, however, the District, to the extent permitted under the terms of the Junior Resolution, reserves the right to issue

bonds or notes in addition to the Junior Bond which are junior in lien to the 2011A 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 13(e) of this Resolution.

Section 16. The District may issue refunding bonds which shall qualify as Additional Bonds of equal lien to refund any 2011A Bonds or Additional Bonds then outstanding, provided, that if any such 2011A Bonds or Additional Bonds are to remain outstanding after the issuance of such refunding bonds, the principal payments due in any calendar year in which those bonds which are to remain outstanding mature, or in any calendar year prior thereto, shall not be increased over the amount of such principal payments due in such calendar years immediately prior to such refunding. 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 2011A Bonds or Additional Bonds then outstanding provided, that, if any such 2011A 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 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 2011A 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 WC2 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. 2007, 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.

The issuance of any refunding bonds under this Section 16 is further limited by the terms of the Junior Lien Resolution.

Section 17. 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 2011A 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 2011A Bonds for which such deposit has been made shall be paid to the District as and when realized and collected.

Section 18. 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 19. 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 20. The President and Secretary or either of them is authorized to approve and deliver a preliminary and final Official Statement for and on behalf of the District, and said final Official Statement shall be delivered in accordance with the requirements of Reg. Sec. 240.15c2-12 of the Securities and Exchange Commission.

Section 21. In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District, being the only "obligated person" with respect to the 2011A Bonds, agrees that it will provide the following continuing disclosure information to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB:

(a) not later than 7 months after the end of each fiscal year of the District (the "Delivery Date"), financial information or operating data for the District of the type accompanying the audited financial statements of the District entitled "Management's Discussion and Analysis" ("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 GASB No. 34, provided that the Board of Directors of the District 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 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;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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.

Section 22. The District hereby covenants and agrees that it will make no use of the proceeds of the 2011A Bonds which would cause the 2011A 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 covenants to take all action necessary to preserve the tax-exempt status of the interest on the 2011A 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 2011A Bonds to constitute "private activity bonds" within the meaning of Section 141 of the Code. [The District hereby designates the 2011A Bonds as its "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(B)(i)(III) of the Code and covenants and warrants that it does not reasonably expect to issue tax-exempt bonds or other tax-exempt interest bearing obligations aggregating in principal amount more than \$10,000,000 during calendar 2011.] 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 2011A Bonds.

Section 23. This Resolution shall be in force and take effect as provided by law.

ADOPTED this _____ day of May, 2011.

ATTEST:

President

Secretary

[SEAL]

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 ____ day of May, 2011.

Chairperson

ATTEST:

Secretary

DOCS/1034797.1

**EXTRACT FROM MINUTES OF MEETING
OF THE BOARD OF DIRECTORS
OF PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

A meeting of the Board of Directors of Papio-Missouri River Natural Resources District, in the State of Nebraska, (the "**District**") was held at ____:____ p.m. on May ____, 2011, at the Natural Resources Center of the District, 8901 S. 154th St., Omaha, Nebraska, in a publicly convened session, the same being open to the attendance of the public and having been preceded by advance publicized notice, said advance publicized notice having been given in strict accordance with the provisions of Article 14, Chapter 84, Reissue Revised Statutes of Nebraska, as amended, and having set forth (a) the time, date, and place of this meeting; (b) that this meeting would be open to the attendance of the public; and (c) that an agenda of then known subjects to be taken up at the meeting could be obtained from the office of the District. A copy of the affidavit of publication of said advance publicized notice was ordered annexed to the minutes of this meeting. Additionally, reasonable efforts were made to provide advance notification of the meeting to all news media requesting the same of the time, date, and place of the meeting. All proceedings hereafter shown were taken while the meeting was open to the attendance of the public.

The following members were present: _____

Absent: _____.

A quorum being present and the meeting duly commenced, the following proceedings were had and done. The Chairperson of the Board publicly stated to all in attendance that a current copy of the Nebraska Open Meetings Act was posted for review and indicated the location of such copy in the room where the meeting was being held.

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

RESOLUTION NO. _____

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

Section 1. The Board of Directors of the Papio-Missouri River Natural Resources District, in the State of Nebraska, (the "District") hereby finds and determines that (a) the District has established an improvement project area to serve portions of Washington County and to provide for certain facilities to serve areas of the City of Blair, Nebraska, (the "City"), separate and apart from the District's previously created Washington County Rural Water Project No. 1, and has designated this second rural water project in Washington County as "Washington County Rural Water Project No. 2" (herein referred to as "WC Project No.2"); that WC Project No. 2 was established under the terms of Section 2-3252 to 2-3255, R.R.S. Neb. 2007, as amended, (the "Project Area Act") and the District has provided for notice and hearing with respect to WC Project No. 2 as required by law; (b) that in addition to the rural water project area and as an integral part of the system of providing service to WC Project No. 2, the District has determined it necessary to include certain improvements to provide emergency service and ancillary service to the City to serve certain residential and commercial regions of the City and areas to be developed within the City's zoning jurisdiction; that both the City and The County of Washington (the "County") have declared their interest in the development of water service for WC Project No. 2 and the City and have entered into an agreement with the District entitled "Interlocal Cooperation Act Agreement" executed by the District on January 15, 2004, by the County on January 13, 2004 and by the City on January 13, 2004 (the "Interlocal Agreement"); (c) that the Interlocal Agreement provides for certain payments from the City and the County to support repayment of indebtedness incurred by the District for the rural water distribution system improvements as described in the Interlocal Agreement; (d) that the District has constructed the rural water system improvements to serve WC Project No. 2 and as called for under the terms of the Interlocal Agreement and such improvements have been completed and taken together constitute single and separate water facilities (such improvements being herein referred to and collectively designated as the "WC2 Water System"; that

for purposes of this Resolution such definition shall include the WC2 Water System as presently existing and all additions, extensions and improvements thereto hereafter constructed by the District for such system) for which revenue bonds may be issued under the terms of Section 2-3226, R.R.S. Neb. 1997, as amended, (the "Act"); (e) that the District has issued and outstanding its Water Project Revenue Bonds (Washington County Rural Water Project No. 2), Series 2006A (the "2006A Bonds") in the aggregate original principal amount of \$3,400,000, and the revenues of the WC2 Water System have been pledged for repayment of the 2006A Bonds; and the District has issued and outstanding its Junior Lien Water Project Revenue Bond (Washington County Rural Water Project No. 2), Series 2006B, (the "2006B Bond") in the original principal amount of \$1,150,000 which is secured by a lien on the WC2 Water System that is junior in priority to the lien with respect to the 2006A Bonds; (f) that the District determines it appropriate to proceed with the refunding of the 2006A Bonds and the 2006B Bonds to achieve better overall debt service coverage on the outstanding indebtedness payable from the WC2 Water System revenues and that it is appropriate for the issuance of such refunding bonds to provide permanent financing for WC2 Water System as a whole and not to issue improvement project area bonds under the Project Area Act; (g) that the WC2 Water System constitutes a revenue producing facility under the terms of the Act, taking into consideration both revenues from users in WC2 Project Area and payments to be received by the District under the terms of the Interlocal Agreement; (h) that other than the 2006A Bonds and the 2006B Bond there is presently no indebtedness of the District for which the revenues of the WC2 Water System have been pledged; (i) that contemporaneously with the issuance of the revenue refunding bonds herein authorized the District is issuing its Water Project Revenue Refunding Bond (Washington County Rural Water Project No. 2), Series 2011A, (the "Senior Bonds") to be secured by a senior lien on the revenues of the WC2 Water System in accordance with the terms of this Resolution and the resolution authorizing their issuance (the "Senior Lien Resolution"); (j) that the proceeds of the revenue bonds herein authorized and the Senior Bonds will be sufficient to redeem in full the 2006A Bonds and to pay the 2006B Bond at maturity, fund appropriate reserves and pay costs of issuance, and that by resolution adopted contemporaneously herewith the 2006A Bonds have been authorized to be called for redemption on such date (the "Redemption Date") determined

pursuant to the resolution calling such bonds for redemption; and (k) that all conditions required to exist or to be done precedent to the issuance of the Junior Lien Water Project Revenue Bond (Washington County Rural Water Project No.2), Series 2011B, herein authorized pursuant to the Act in the principal amount of not to exceed \$ _____, do exist and have been done.

Section 2. 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 "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 WC2 Water System, including any and all payments to be received by the District for such system under the terms of the Interlocal Agreement.

(b) The term "Additional Bonds" shall mean any and all bonds hereafter issued by the District pursuant to the terms of the Senior Lien Resolution which are equal in lien to the Senior Bonds, including all such bonds issued pursuant to Section 15 and refunding bonds issued pursuant to Section 16, each as included in the Senior Lien Resolution.

(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 "Paying Agent and Registrar" shall mean The Fremont National Bank and Trust Company, as appointed to act as paying agent and registrar for the 2006B Bond pursuant to Section 4 hereof, or any successor thereto.

Section 3. To provide for redemption of the 2006B Bond as described in Section 1 hereof, including costs of issuance, there shall be and there is hereby ordered issued a negotiable bond of the District to be designated as its "Junior Lien Water Project Revenue Bonds (Washington County Rural Water Project No.2), Series 2011B" (the "2011B Bonds") in the principal amount of not to exceed _____ Dollars (\$ _____), with said bond bearing interest at the rates per annum and to become due in such principal amounts and on June 10 of such years as indicated below:

Principal Amount

Maturing June 10

Interest Rate

provided, that the 2011B Bonds shall bear interest at the rates per annum as shall be determined in a written designation (the "Designation") signed by the Chairperson and/or General Manager of the District (the "Authorized Officers") on behalf of the Board of Directors and which may be agreed to by D.A. Davidson & Co. (the "Underwriter"), which Designation may also determine or modify the principal amount for each maturity of the 2011B Bonds, mandatory redemption provisions (if any), and pricing terms as set forth in Section 8 below, all within the following limitations:

- (a) the aggregate principal amount of the 2011B Bonds shall not exceed \$ _____;
- (b) the aggregate amount of original issue premium and original issue discount (if any) may result in an aggregate net original issue discount (if any) not in excess of one percent (1.00%) of the stated principal amount of the 2011B Bonds;
- (c) the longest maturity of the 2011B Bonds may not be later than June 15, 20____;
- (d) the 2011B Bonds shall bear interest at such rates per annum as determined in the Designation, so long as the true interest cost of the 2011B Bonds does not exceed _____ %
- (e) the principal amount of any maturity of the 2011B Bonds may be reduced by any amount determined in the Designation but not increased by more than \$10,000 or 20%, whichever is greater;
- (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 2011B 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 of Directors of the District 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 Board of Directors without further action of the Board of Directors of the District.

The 2011B 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 2011B Bonds shall be the date of delivery thereof. Interest on the 2011B Bonds shall be payable semiannually on June 10 and December 10 of each year commencing December 10, 2011 (each an "Interest Payment Date"), and the 2011B Bonds shall bear such interest from the date of original issue or the most recent Interest Payment Date, 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 owner of record as of the fifteenth day immediately preceding the Interest Payment Date (the "Record Date"), subject to the provisions of Section 5

hereof. The 2011B Bonds shall be numbered from R-1. Payments of interest due on the 2011B 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 the 2011B Bonds, 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 together with any unpaid interest accrued thereon shall be made by the Paying Agent and Registrar to the registered owner upon presentation and surrender of the 2011B Bonds to the Paying Agent and Registrar. The District and the Paying Agent and Registrar may treat the registered owner of any 2011B Bond as the absolute owner of such 2011B 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 2011B 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 2011B 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 2011B Bonds or claims for interest to the extent of the sum or sums so paid.

Section 4. The Fremont National Bank and Trust Company is hereby designated to serve as Paying Agent and Registrar for the 2011B 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. The Chairperson and Secretary are 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 2011B Bonds at its principal corporate trust office in Fremont, Nebraska. The name and registered address of the registered owner of the 2011B Bonds shall at all times be recorded in such books. The 2011B Bonds may be transferred pursuant to its provisions at the office of said Paying Agent and Registrar by surrender of the

2011B Bonds 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 its office (or send by registered mail to the transferee owner thereof at such transferee owner's risk and expense), registered in the name of the transferee owner, a new 2011B Bond, of the same series, interest rate, aggregate principal amount and maturity. In every case of transfer of the 2011B Bonds, the surrendered 2011B Bond shall be canceled and destroyed. Any 2011B Bond issued upon transfer of the 2011B Bond so surrendered shall be a valid obligation of the District evidencing the same obligation as the 2011B Bond surrendered and shall be entitled to all the benefits and protection of this Resolution to the same extent as the 2011B Bonds upon transfer of which it was delivered. The District and the Paying Agent and Registrar shall not be required to transfer the 2011B Bonds during any period from any Record Date until its immediately following Interest Payment Date or to transfer the 2011B Bonds when called for redemption, in whole or in part, for a period of 30 days next preceding the date fixed for redemption.

Section 5. In the event that payment of interest due on the 2011B Bonds on an Interest Payment Date is not timely made, such interest shall cease to be payable to the registered owner as of the Record Date for such Interest Payment Date and shall be payable to the registered owner of the 2011B 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. The 2011B Bonds shall be subject to redemption, in whole or in part, prior to maturity at any time on or after _____, 20____, at the principal amount thereof (as designated by the District in the case of partial redemption) 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 2011B Bonds shall be redeemed in part only in amounts of \$1,000 or integral multiples thereof. In the event that the 2011B Bonds are redeemed in part, the Paying Agent shall mark such partial redemption on its books and records, confirmed in writing to the registered owner, and the

registered owner shall not be required to surrender the 2011B Bonds for notation of partial redemption to said Paying Agent and Registrar. The books of the Paying Agent and Registrar shall be controlling as to the outstanding principal amount of the 2011B Bonds. Notice of redemption of the 2011B Bonds called for partial or whole redemption shall be given at the direction of the District 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 2011B Bonds at said owner's registered address. Such notice shall designate the 2011B Bonds or portion of the principal thereof to be redeemed and the date fixed for redemption and shall state, in the case of prepayment in whole, that the 2011B is to be presented for prepayment at the principal corporate trust office of said Paying Agent and Registrar. In case of any partial redemption of the 2011B Bonds, the registered owner shall have the right to request the delivery of a replacement bond certificate evidencing and stating the outstanding principal remaining unredeemed. No defect in the mailing of notice for the 2011B Bonds shall affect the sufficiency of the proceedings of the District designating the 2011B Bonds or portion of the principal thereof called for redemption.

Section 7. If the date for payment of the principal of or interest on the 2011B Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the principal 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.

Section 8. The 2011B Bonds shall be in substantially the following form:

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

JUNIOR LIEN WATER PROJECT REVENUE REFUNDING BOND
(WASHINGTON COUNTY RURAL WATER PROJECT NO. 2)
SERIES 2011B

No. R-1 \$ _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
_____ %	June 10, 20____	_____, 2011

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, whichever is later, at the rate per annum specified above, payable semiannually on June 10 and December 10 of each year commencing December 10, 2011 (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 in whole) is payable upon presentation and surrender of this bond at the principal corporate trust office of The Fremont National Bank and Trust Company, as Paying Agent and Registrar, in Fremont, Nebraska. 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. 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 in a series of bonds, all issued in fully registered form, in the initial total principal amount of _____ Dollars (\$_____) (the "Series 2011B Bonds"), which are issued by the District for the purpose of refunding the District's Junior Lien Water Project Revenue Refunding Bond (Washington County Rural Water Project No. 2), Series 2011B, in the outstanding principal amount of \$_____, which was issued for the purpose of paying a portion of 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 thereof, and 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. 2007, as amended.

This bond is subject to redemption at the option of the District, in whole or in part, at any time on or after _____, 20____, at the principal amount thereof designated for redemption 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. Notice of redemption shall be given by mail to the registered owner of this bond in the manner specified in the Resolution. Principal of this bond may be redeemed in part but only in the amount of \$1,000 or integral multiples thereof. In case of any such partial redemption, the registered owner is not required to present this bond for notation of partial redemption and the books and records of the Paying Agent and Registrar shall control as to the remaining principal balance unpaid.

This bond is transferable by the registered owner or such owner's attorney duly authorized in writing at the office of the Paying Agent and Registrar upon surrender and cancellation of this bond, and thereupon a new bond 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 principal 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 separate water supply system of the District for purposes of serving certain areas of the City of Blair, Nebraska, and the District's Washington County Rural Water Project No. 2, including all improvements and additions thereto hereafter constructed or acquired, (the "WC2 Water System") are pledged and hypothecated by the District for the payment of this bond on a basis which is junior in lien to the District's Water Project Revenue Refunding Bonds (Washington County Rural Water Project No. 2), Series 2011A, issued in the original principal amount of \$_____ (the "Senior Bonds"), all pursuant to and in accordance with a resolution adopted by the Board of Directors of the District contemporaneously with the Resolution (the "Senior Lien Resolution"). This Series 2011B Bonds are expressly junior in rights as to payment and security to the Senior Bonds. This Series 2011B Bonds are a lien only upon said revenues and earnings and are not a general obligation of the District.

The Resolution sets forth the covenants and obligations of the District with respect to the WC2 Water System and the applications of the revenues and earnings thereof, which revenues and earnings under the terms of the Senior Lien Resolution and the Resolution are required to be deposited to the "WC2 Project Fund" as established under the Senior Lien Resolution and confirmed by the Resolution and disbursed to pay costs of operation and maintenance of the WC2 Water System, make payments of principal and interest on the Senior Bonds, on any additional bonds of equal priority with the Senior Bonds and, from the Retained Revenues Account established under and in accordance with the Senior Lien Resolution, on the Series 2006B Bond and other payments as specified in the Senior Lien Resolution and the Resolution. The Resolution also designates the terms and conditions under which additional bonds of equal priority the Senior Bonds or with the Series 2011B 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.

(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

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. The 2011B Bonds shall be executed on behalf of the District with the manual or facsimile signatures of the Chairperson and Secretary of the District. In the event of any transfer of the 2011B Bonds, the District shall immediately provide a supply of bond certificates for issuance upon such transfer and subsequent transfers or in the event of partial redemption and request for replacement certificate or certificates. 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 certificate to evidence the 2011B Bonds shall cease to be such officer before the delivery of such certificate (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 certificate to evidence the 2011B Bonds. The 2011B Bonds shall not be valid and binding on the District until authenticated by the Paying Agent and Registrar. The 2011B Bonds shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration and authentication of the 2011B Bonds, it shall be delivered to the District's Treasurer, acting on behalf of the District, who shall deliver it to Washington County Bank, as initial purchaser thereof, upon receipt of the purchase price of 100% of the principal amount thereof plus accrued interest, if any, on the principal amount of the 2011B Bonds to date of payment for the 2011B Bonds. A record of information with respect to the 2011B Bonds shall also be filed with the office of the Auditor of Public Accounts as required under Section 10-140, R.R.S. Neb. 2007, as amended. 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 2011B Bonds which shall be delivered to said purchaser.

Section 10. For the payment of the 2011B Bonds, both principal and interest, the District hereby pledges and hypothecates the entire revenues and earnings of the WC2 Water System of the District, subject in full to the payment and other rights of the Senior Bonds and to the terms and conditions of the

Senior Lien Resolution. The pledge and hypothecation provided for the 2011B Bonds in this Resolution is intended to and is expressly a junior pledge or lien upon and security interest in the revenues of the WC2 Water System subject to the payment rights securing the Senior Bonds and any Additional Bonds so long as the Senior Bonds and any Additional Bonds remain outstanding and the 2011B Bonds shall be payable from monies in the "Retained Revenues Account" as described in and created by the Senior Lien Resolution. The terms of the Senior Lien Resolution are hereby incorporated by reference. This Resolution, subject to the terms and conditions of the Senior Lien Resolution 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 WC2 Water System and the revenues and earnings thereof (including all amounts receivable by the District under the terms of the Interlocal Agreement).

Section 11. The proceeds of the 2011B Bonds shall be deposited with the District's Treasurer and applied to redeem the 2006B Bond at its maturity.

Section 12. 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 WC2 Water System which, in the aggregate and taking into consideration amounts to be received under the terms of the Interlocal Agreement, shall be sufficient at all times:

(a) to provide for the payment of interest on and principal of the Senior Bonds and any Additional Bonds as such interest and principal become due and of interest on the 2011B Bonds as such interest becomes due;

(b) to pay all reasonable costs of operation and maintenance of the WC2 Water System, including adequate insurance as provided by this Resolution and to pay for the necessary and reasonable repairs, replacements and extensions of said WC2 Water System; and

(c) to establish and maintain the Debt Service Reserve Account as provided in the Senior Lien Resolution and any debt service reserve account hereafter required for Additional Bonds.

Section 13. By the incorporation of the provisions of the Senior Lien Resolution, the fund and accounts established under the terms of Section 13 of the Senior Lien Resolution are hereby confirmed with respect to the application of revenues of the WC2 Water System for the Senior Lien Bonds, and Additional

- (1) for the period from _____ 1, 2011 until and including December 1, 2006, an amount equal to 1/___ of the semiannual interest payment on the 2011B Bonds maturing December 10, 2011;
- (2) for the period from January 1, 2012 until the 2011A Bonds have been paid in full, an amount equal to 1/6th of the next maturing semiannual interest payment on the 2011 A Bonds;
- (3) for the period from _____ 1, 2011 until and including June 1, 2012, an amount equal to 1/____th of the principal payment on the 2011A Bonds maturing June 15, 2012;
- (4) for the period from July 1, 2012 until the 2011A Bonds have been paid in full, an amount equal to 1/12th of the next maturing principal payment for the 2011A Bonds (including as principal maturing each Mandatory Sinking Fund Redemption, if any, required under the terms of this Resolution).

Section 14. So long as the 2011B Bonds are outstanding, the District hereby covenants and agrees as follows:

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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 WC2 Water System so long as the revenue derived from the District's ownership of the properties constituting the WC2 Water System shall be sufficient to fulfill the District's obligations under Sections 11, 12 and 13 of this Resolution.

(b) The District will not grant any franchise or right to any person, firm or corporation to own or operate an WC2 Water System in competition with the WC2 Water System.

(c) The District will maintain insurance on the property constituting the WC2 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 WC2 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 WC2 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 WC2 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 as provided in the Senior Lien Resolution. 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 (as established under the terms of the Senior Lien Resolution) 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 account separate from all other records and accounts in which complete and correct entries will be made of all transactions relating to the WC2 Water System. The District will have its operating and financial statements related to the WC2 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 2011B Bonds, within four months after the end of each fiscal year of the WC2 Water System, a copy of the financial statements of the WC2 Water System and the report thereon of the certified public accountants. The District agrees to provide the registered owner with such operational information concerning the WC2 Water System as such registered owner may reasonably request.

(e) The District shall cause each person handling any of the monies in the WC2 Project Fund (as established under the terms of the Senior Lien Resolution) 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 (as established under the terms of the Senior Lien Resolution).

Section 15. To provide funds for any purpose related to the WC2 Water System, the District may issue Additional Bonds in accordance with the terms of the Senior Lien Resolution but no such Additional Bonds shall be issued so long as the 2011B Bonds are outstanding without the written consent of the registered owner of the 2011B Bonds. To provide funds for any purpose related to the WC2 Water System, the District may issue junior lien bonds of equal standing with the 2011B Bonds in accordance with the terms of the Senior Lien Resolution but no such additional junior lien bonds shall be issued so long as the 2011B Bonds are outstanding without the written consent of the registered owner of the 2011B Bonds. The District hereby covenants and agrees that so long as the 2011B Bonds are outstanding, it will not issue any bonds or notes payable from the revenues of the WC2 Water System except in accordance with the provisions of the Senior Lien Resolution and this Resolution, provided, however, the District reserves the right to issue bonds or notes which are junior in lien to the 2011B Bonds with the principal and interest of such bonds or notes to be payable from monies credited to the Retained Revenues Account as provided in Subsection 13(e)(7) of the Senior Lien Resolution.

Section 16. The District may issue refunding bonds which shall qualify as Additional Bonds of equal lien to refund any of the Senior Bonds or Additional Bonds then outstanding, provided, that if the 2011B Bonds are to remain outstanding after the issuance of such refunding bonds, such issuance of refunding bonds as Additional Bonds may occur only with the written consent of the registered owner of the 2011B Bonds.

Section 17. 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 2011B Bonds and said bonds shall no longer be deemed outstanding hereunder if such bonds shall have been purchased and canceled by the District or when payment of the principal of and interest thereon to the date of maturity or earlier 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 bond shall cease to draw interest from the date fixed for its 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 such bond as 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 2011B Bonds for which such deposit has been made shall be paid to the District as and when realized and collected.

Section 18. 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 19. 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 20. The District hereby covenants and agrees that it will make no use of the proceeds of the 2011B Bonds which would cause the 2011B Bonds to be an "arbitrage bond" 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 covenants to take all action necessary to preserve the tax-exempt status of the interest on the 2011B 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 2011B Bonds to constitute a "private activity bond" within the meaning of Section 141 of the Code. [The District hereby designates the 2011B Bonds as one of its "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(B)(i)(III) of the Code and covenants and warrants that it does not reasonably expect to

issue tax-exempt bonds or other tax-exempt interest bearing obligations aggregating in principal amount more than \$10,000,000 during calendar 2011.] 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 2011B Bonds.

Section 23. This Resolution shall be in force and take effect as provided by law.

ADOPTED this _____ day of May, 2011.

ATTEST:

President

Secretary

[SEAL]

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 _____ day of May, 2011.

Chairperson

ATTEST:

Secretary

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