

MEMORANDUM

TO: Finance, Expenditure & Legal Subcommittee

DATE: May 5, 2006

SUBJECT: Financing of Washington County Rural Water #2

FROM: Dick Sklenar

Attached is the resolution for providing financing of the District's nearly complete Washington County RW#2. It encompasses the issuance of \$3.4 million of revenue bonds and a \$1.1 million loan from the Washington County Bank. The dollars from this transaction will pay off Wells Fargo Bank which has been providing interim financing for the project. Some money will also be set aside for a mandatory reserve fund and for some additional operating expenditures.

The District's bond counsel is Richard Pedersen (Baird Holm Law Firm) who has prepared the attached resolution.

The District has retained the services of D.A. Davidson & Co. for handling the sale of the revenue bonds and the financial arrangements with the Washington County Bank.

It is recommended that the Subcommittee recommend to the Board the adoption of the attached bond and loan resolution for Washington County Rural Water #2.

RESOLUTION NO. _____

A RESOLUTION OF THE PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT, IN THE STATE OF NEBRASKA, AUTHORIZING THE ISSUANCE OF A JUNIOR LIEN WATER PROJECT REVENUE BOND (WASHINGTON COUNTY RURAL WATER PROJECT NO. 2), SERIES 2006B, IN THE PRINCIPAL AMOUNT ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS (\$1,150,000), FOR THE PURPOSE OF PAYING A PORTION OF THE COSTS OF CONSTRUCTING AND ACQUIRING A RURAL WATER SYSTEM TO SERVE THE AREA DESIGNATED FOR DISTRICT'S WASHINGTON COUNTY RURAL WATER PROJECT NO. 2 AND PORTIONS OF THE CITY OF BLAIR, NEBRASKA, TO BE OWNED AND OPERATED BY THE DISTRICT; CONFIRMING THE INTERLOCAL COOPERATION ACT AGREEMENT BY AND AMONG THE DISTRICT, THE CITY OF BLAIR AND THE COUNTY OF WASHINGTON; PRESCRIBING THE FORM, TERMS AND DETAILS OF SAID BOND; PLEDGING AND HYPOTHECATING ON A JUNIOR BASIS THE REVENUE AND EARNINGS OF SAID RURAL WATER SYSTEM (INCLUDING PAYMENTS TO BE RECEIVED UNDER THE TERMS OF SAID INTERLOCAL AGREEMENT) FOR THE PAYMENT OF SAID BOND AND INTEREST THEREON; PROVIDING FOR THE INCORPORATION BY REFERENCE OF TERMS RELATING TO THE COLLECTION, SEGREGATION AND APPLICATION OF THE REVENUE OF SAID RURAL WATER SYSTEM; PERMITTING THE ISSUANCE OF ADDITIONAL JUNIOR BONDS OF EQUAL STANDING; ENTERING INTO A CONTRACT ON BEHALF OF THE DISTRICT WITH THE HOLDER OF SAID BOND; REPEALING ANY CONFLICTING RESOLUTIONS AND PROVIDING FOR THE EFFECTIVENESS OF THIS RESOLUTION.

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. 1997, 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 for 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 contracted for the construction of 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 determines it appropriate to proceed with the issuance of revenue 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; (f) 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; (g) that the total cost of all improvements constructed and acquired to establish the WC2 Water System exceeds \$4,300,000 and the District has incurred and outstanding bank indebtedness pursuant to Section 2-3228(5), R.R.S. Neb. 1997, in the approximate amount of \$3,955,000 (the "Bank Debt") which requires repayment; (h) that there is presently no indebtedness of the District for which the revenues of the WC2 Water System have been pledged; (h) that contemporaneously with the issuance of the revenue bond herein authorized the District is issuing its Water Project Revenue Bonds (Washington County Rural Water Project No. 2), Series 2006A, (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 the issuance of the Senior Bonds (the "Senior Lien Resolution"); (i) that the proceeds of the junior revenue bond herein authorized and the Senior Bonds will be sufficient to pay off in full the Bank Debt, fund appropriate reserves (including start-up period interest) and pay costs of issuance; and (j) that all conditions required to exist or to be done precedent to the issuance of the junior revenue bond herein authorized pursuant to the Act in the principal amount of \$1,150,000, 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 payment of a portion of the costs of constructing and acquiring the WC2 Water System 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 Bond (Washington County Rural Water Project No.2), Series 2006B" (the "2006B Bond") in the principal amount of One Million One Hundred Fifty Thousand Dollars (\$1,150,000), with said bond bearing interest at the rate per annum and to become due on June 10 of the year as indicated below:

<u>Principal Amount</u>	<u>Maturing June 10</u>	<u>Interest Rate</u>
1,150,000	2011	

The 2006B Bond 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 2006B Bond shall be the date of delivery thereof. Interest on the 2006B Bond shall be payable semiannually on June 10 and December 10 of each year commencing December 10, 2006 (each an "Interest Payment Date"), and the 2006B Bond 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 2006B Bond shall be numbered from R-1. Payments of interest due on the 2006B Bond 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 2006B 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 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 2006B Bond to the Paying Agent and Registrar. The District and the Paying Agent and Registrar may treat the registered owner of any 2006B Bond as the absolute owner of such 2006B 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 2006B 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 2006B 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 2006B Bond 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 2006B Bond. 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 2006B Bond at its principal corporate trust office in Fremont, Nebraska. The name and registered address of the registered owner of the 2006B Bond shall at all times be recorded in such books. The 2006B Bond may be transferred pursuant to its provisions at the office of said Paying Agent and Registrar by surrender of the 2006B 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 thereof at such transferee owner's risk and expense), registered in the name of the transferee owner, a new 2006B Bond, of the same series, interest rate, aggregate principal amount and maturity. In every case of transfer of the 2006B Bond, the surrendered 2006B Bond shall be canceled and destroyed. Any 2006B Bond issued upon transfer of the 2006B Bond so surrendered shall be a valid obligation of the District evidencing the same obligation as the 2006B Bond surrendered and shall be entitled to all the benefits and protection of this Resolution to the same extent as the 2006B Bond upon transfer of which it was delivered. The District and the Paying Agent and Registrar shall not be required to transfer the 2006B Bond during any period from any Record Date until its immediately following Interest Payment Date or to transfer the 2006B Bond 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 2006B Bond 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 2006B Bond 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 2006B Bond shall be subject to redemption, in whole or in part, prior to maturity at any time on or after June 10, 2010, 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 2006B Bond shall be redeemed in part only in amounts of \$1,000 or integral multiples thereof. In the event that the 2006B Bond is 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 2006B Bond 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 2006B Bond. Notice of redemption of the 2006B Bond 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 2006B Bond at said owner's registered address. Such notice shall designate the 2006B Bond 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 2006B 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 2006B Bond, 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 2006B Bond shall affect the sufficiency of the proceedings of the District designating the 2006B Bond or portion of the principal thereof called for redemption.

Section 7. If the date for payment of the principal of or interest on the 2006B Bond 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 2006B Bond 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 BOND
(WASHINGTON COUNTY RURAL WATER PROJECT NO. 2)
SERIES 2006B

No. R-1

\$1,150,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
____%	June 10, 2011	_____, 2006

Registered Owner:

Principal Amount: One Million One Hundred Fifty Thousand Dollars

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, 2006 (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 the single bond of its issue, in fully registered form, in the initial total principal amount of One Million One Hundred Fifty Thousand Dollars (\$1,150,000) (the "Series 2006B Bond"), which is issued by the District 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. 1997, 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 June 10, 2010, 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 Bonds (Washington County Rural Water Project No. 2), Series 2006A, issued in the original principal amount of \$3,400,000 (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 2006B Bond is expressly junior in rights as to payment and security to the Senior Bonds. This Series 2006B Bond is a lien only upon said revenues and earnings and is 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 2006B Bond 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 2006B Bond 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 2006B Bond, 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 2006B Bond 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 2006B Bond. The 2006B Bond shall not be valid and binding on the District until authenticated by the Paying Agent and Registrar. The 2006B Bond shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration and authentication of the 2006B Bond, 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 2006B Bond to date of payment for the 2006B Bond. A record of information with respect to the 2006B Bond shall also be filed with the office of the Auditor of Public Accounts as required under Section 10-140, R.R.S. Neb. 1997, 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 2006B Bond which shall be delivered to said purchaser.

Section 10. For the payment of the 2006B Bond, 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 2006B Bond 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 2006B Bond 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 2006B Bond shall be deposited with the District's Treasurer and applied as follows:

(a) An amount sufficient to pay estimated costs of issuance shall be set aside for such purposes by the District Treasurer and applied to pay such costs, with any unused balance being applied as set forth in subsection 11(c) below.

(b) The sum of \$_____ shall be deposited to the Junior Lien Bond Payment Sub-account to be applied to pay interest on the 2006B Bond falling due on December 10, 2006.

(c) The balance of the proceeds of the 2006B Bond shall be applied to pay costs of the construction and acquisition of the WC2 Water System, including the payment of the Bank Debt and of any such costs remaining unpaid by the District.

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 2006B Bond 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 2006 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 Bonds and the 2006B Bond. The 2006B Bond shall be payable solely from amounts deposited to the Retained Revenues Account. In accordance with the terms of the Senior Lien Resolution, the District hereby establishes for the benefit and security of the 2006B Bond, the following sub-accounts for the application of revenues in the Retained Revenues Account: (a) the Junior Bond Payment Sub-account and (b) the Junior Bond Redemption Sub-account. With respect to such sub-accounts, the District hereby agrees for the benefit of the registered owner of the 2006B Bond as follows:

(a) **Junior Bond Payment Sub-account** – Amounts available in the Retained Revenues Account shall be credited at least annually on or before June 5 of each year in an amount sufficient to pay in full the interest falling due on the 2006B Bond on the next June 10 and December 10 of each year. The District Treasurer is hereby authorized and directed, without further authorization, to withdraw monies credited to the Junior Bond Payment Sub-account to pay the interest on the 2006B Bond and to transfer such monies to the Paying Agent and Registrar at least two (2) business days before each Interest Payment Date.

(b) **Junior Bond Redemption Sub-account** – Any amounts remaining in the Retained Revenues Account which (y) are not required to be applied (i) to make up deficiencies as described in Subsection 13(e)(1) of the Senior Lien Resolution, (ii) to make the required deposit to the Junior Bond Payment Sub-account as described in Subsection 13(e)(2) of the Senior Lien Resolution and Subsection 13(a) of this Resolution or (iii) to make Extraordinary Redemptions as described in Subsection 13(e)(3) of the Senior Lien Resolution and (z) which the District does not reasonably expect to be applied to any of the other permitted purposes described in Subsections 13(e)(6), 13(e)(7) and 13(e)(8) of the Senior Lien Resolution

shall be credited to the Junior Bond Redemption Sub-account and applied to the prepayment (partial or whole) of the 2006B Bond at the earliest permitted redemption date.

The provisions of this Section as supplementing the provisions of Section 13 of the Senior Lien Resolution 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 sub-accounts required by this Section 13. Monies credited to any such sub-accounts shall be deposited or invested separate and apart from other District funds. The District shall not be required to establish separate bank or investment accounts for the sub-accounts described in this Section 13.

Section 14. So long as the 2006B Bond is 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 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 2006B Bond, 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 2006B Bond is outstanding without the written consent of the registered owner of the 2006B Bond. To provide funds for any purpose related to the WC2 Water System, the District may issue junior lien bonds of equal standing with the 2006B Bond in accordance with the terms of the Senior Lien Resolution but no such additional junior lien bonds shall be issued so long as the 2006B Bond is outstanding without the written consent of the registered owner of the 2006B Bond. The District hereby covenants and agrees that so long as the 2006B Bond is 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 2006B Bond 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 2006B Bond is 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 2006B Bond.

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 2006B Bond and said bond shall no longer be deemed outstanding hereunder if such bond 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 2006B Bond 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 2006B Bond which would cause the 2006B Bond 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 2006B Bond 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 2006B Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code. The District hereby designates the 2006B Bond 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 2006. 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 2006B Bond.

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

ADOPTED this ____ day of May, 2006.

ATTEST:

President

Secretary

[SEAL]

DOCS/731204.5

RESOLUTION NO. _____

A RESOLUTION OF THE PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT, IN THE STATE OF NEBRASKA, AUTHORIZING THE ISSUANCE OF WATER PROJECT REVENUE BONDS (WASHINGTON COUNTY RURAL WATER PROJECT NO. 2), SERIES 2006A, IN THE PRINCIPAL AMOUNT THREE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$3,400,000), FOR THE PURPOSE OF PAYING THE COSTS OF CONSTRUCTING AND ACQUIRING A RURAL WATER SYSTEM TO SERVE THE AREA DESIGNATED FOR DISTRICT'S WASHINGTON COUNTY RURAL WATER PROJECT NO. 2 AND PORTIONS OF THE CITY OF BLAIR, NEBRASKA, TO BE OWNED AND OPERATED BY THE DISTRICT; CONFIRMING THE INTERLOCAL COOPERATION ACT AGREEMENT BY AND AMONG THE DISTRICT, THE CITY OF BLAIR AND THE COUNTY OF WASHINGTON; PRESCRIBING THE FORM, TERMS AND DETAILS OF SAID BONDS; PLEDGING AND HYPOTHECATING THE REVENUE AND EARNINGS OF SAID RURAL WATER SYSTEM (INCLUDING PAYMENTS TO BE RECEIVED UNDER THE TERMS OF SAID INTERLOCAL AGREEMENT) FOR THE PAYMENT OF SAID BONDS AND INTEREST THEREON; PROVIDING FOR THE COLLECTION, SEGREGATION AND APPLICATION OF THE REVENUE OF SAID RURAL WATER SYSTEM; PERMITTING THE ISSUANCE OF ADDITIONAL BONDS OF EQUAL STANDING; PERMITTING THE ISSUANCE OF A JUNIOR LIEN WATER PROJECT REVENUE BOND AND PROVIDING FOR SOURCES FOR ITS PAYMENT; ENTERING INTO A CONTRACT ON BEHALF OF THE DISTRICT WITH THE HOLDERS OF SAID BONDS; REPEALING ANY CONFLICTING RESOLUTIONS AND PROVIDING FOR THE EFFECTIVENESS OF THIS RESOLUTION.

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. 1997, 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 contracted for the construction of 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 determines it appropriate to proceed with the issuance of revenue 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; (f) 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; that the total cost of all improvements constructed and acquired to establish the WC2 Water System exceeds \$4,300,000 and the District has incurred and outstanding bank indebtedness pursuant to Section 2-3228(5), R.R.S. Neb. 1997, in the approximate amount of \$3,955,000 (the "Bank Debt") which requires repayment; (g) that there is presently no indebtedness of the District for which the revenues of the WC2 Water System have been pledged; (h) that contemporaneously with the issuance of the revenue bonds herein authorized the District is issuing its Junior Lien Water Project Revenue Bond (Washington County Rural Water Project No. 2), Series 2006B, (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"); (i) that the proceeds of the revenue bonds herein authorized and the Junior Bond will be sufficient to pay off in full the Bank Debt, pay other costs of the Project, fund appropriate reserves (including start-up period interest) and pay costs of issuance; and (j) that all conditions required to exist or to be done precedent to the issuance of the revenue bonds herein authorized pursuant to the Act in the principal amount of \$3,400,000, 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 2006 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 2006A Bonds pursuant to Section 4 hereof, or any successor thereto.

Section 3. To provide for payment of costs of constructing and acquiring the WC2 Water System 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 Bonds (Washington County Rural Water Project No. 2), Series 2006A" (the "2006A Bonds") in the aggregate principal amount of Three Million Four Hundred Thousand Dollars (\$3,400,000), with said bonds bearing interest at the rates per annum and to become due on June 15 of the years as indicated below:

<u>Principal Amount</u>	<u>Maturing June 15</u>	<u>Interest Rate</u>
	2007	
	2008	
	2009	
	2010	
	2011	
	2012	
	2013	
	2014	
	2015	
	2016	
	2017	
	2018	
	2022	

The 2006A Bonds maturing in 2022 (the "Term Bonds") are required to be redeemed through the application of mandatory sinking fund payments ("Mandatory Sinking Fund Redemption"), with said Term Bonds to be called and maturing in the amounts and on the dates set out below:

<u>\$</u>	<u>Principal Amount Maturing June 15, 2022</u>
\$ _____	to be called June 15, 2019
\$ _____	to be called June 15, 2020
\$ _____	to be called June 15, 2021
\$ _____	maturing June 15, 2022

The Term Bonds shall also be subject to extraordinary redemption ("Extraordinary Redemption") from retained revenues at any time on and after December 15, 2007, (as described in Section 6 and Subsection 13(e)(3) of this Resolution) from funds in the Retained Revenues Account. The 2006A 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 2006A Bonds shall be the date of delivery thereof. Interest on the 2006A Bonds, at the respective rate for each maturity, shall be payable semiannually on June 15 and December 15 of each year commencing December 15, 2006 (each an "Interest Payment Date"), and the 2006A 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 2006A Bonds shall be numbered from 1 upwards in the order of their issuance. No 2006A 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 2006A Bonds issued shall be as directed by the initial purchaser thereof. Payments of interest due on the 2006A 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 2006A 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 2006A Bonds to the Paying Agent and Registrar. The District and the Paying Agent and Registrar may treat the registered owner of any 2006A Bond as the absolute owner of such 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A Bonds at its principal corporate trust office in Fremont, Nebraska. The names and registered addresses of the registered owner or owners of the 2006A Bonds shall at all times be recorded in such books. Any 2006A Bond may be transferred pursuant to its provisions at the office of said Paying Agent and Registrar by surrender of such 2006A 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 2006A Bond or 2006A Bonds of the same series, interest rate, aggregate principal amount and maturity. To the extent of the denominations authorized for the 2006A Bonds by this Resolution, one 2006A Bond may be transferred for several such 2006A Bonds of the same series, interest rate and maturity, and for a like aggregate principal

amount, and several such 2006A Bonds may be transferred for one or several such 2006A Bonds, respectively, of the same series, interest rate and maturity and for a like aggregate principal amount. In every case of transfer of a 2006A Bond, the surrendered 2006A Bond shall be canceled and destroyed. All 2006A Bonds issued upon transfer of the 2006A Bonds so surrendered shall be valid obligations of the District evidencing the same obligations as the 2006A Bonds surrendered and shall be entitled to all the benefits and protection of this Resolution to the same extent as the 2006A Bonds upon transfer of which they were delivered. The District and said Paying Agent and Registrar shall not be required to transfer any 2006A Bond during any period from any Record Date until its immediately following Interest Payment Date or to transfer any 2006A 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 2006A 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 2006A 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 2006A Bonds maturing on or after June 15, 2011, 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 Section 3 of this Resolution for the Term Bonds, such Term Bonds are required to be redeemed, as Mandatory Sinking Fund Redemptions, prior to their stated maturity in accordance with the schedule set forth in Section 3 of this Resolution, 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), Term Bonds shall be redeemed, as Extraordinary Redemptions, on December 15 of each year commencing with December 15, 2007, 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 Section 3 of this Resolution 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 2006A Bonds shall be redeemed only in amounts of \$5,000 or integral multiples thereof. Any 2006A Bond redeemed in part only shall be surrendered to said Paying Agent and Registrar in exchange for a new 2006A Bond evidencing the unredeemed principal thereof. Notice of redemption of any 2006A 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 2006A Bond at said owner's registered address. Such notice shall designate the 2006A Bond or 2006A Bonds to be redeemed by maturity or otherwise, the date of original issue and the date fixed for redemption and shall state that such 2006A Bond or 2006A Bonds are to be presented for prepayment at the principal corporate trust office of said Paying Agent and Registrar. In case of any 2006A Bond partially redeemed, such notice shall specify the portion of the principal amount of such 2006A Bond to be redeemed. No defect in the mailing of notice for any 2006A Bond shall affect the sufficiency of the proceedings of the District designating the 2006A Bonds called for redemption or the effectiveness of such call for the 2006A 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 2006A Bond for which defective notice has been given.

Section 7. If the date for payment of the principal of or interest on the 2006A 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 2006A Bonds shall be in substantially the following form:

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

WATER PROJECT REVENUE BOND (WASHINGTON COUNTY RURAL WATER PROJECT NO. 2),
SERIES 2006A

No. _____			\$ _____
<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
_____%	June 15, 20__	_____, 2006	

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, 2006 (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 Three Million Four Hundred Thousand Dollars (\$3,400,000) of even date and like tenor, except as to the date of maturity, rate of interest and denomination (the "Series 2006A Bonds"), which were issued by the District 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 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. 1997, as amended.

The bonds of said issue maturing on or after June 15, 2011, 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 2006 Bonds due as term bonds in the year 2022 (the "Term Bonds") are required to be redeemed, in part, prior to their stated maturity, commencing on June 15, 2019, 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:

<u>Date of Redemption</u>	<u>Amount Required to be Redeemed</u>
June 15, 2019	\$
June 15, 2020	\$
June 15, 2021	\$
June 15, 2022 (final maturity)	\$

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 2006A Bonds for redemption in its sole discretion. Notice of redemption shall be given by mail to the registered owner of any Series 2006A 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 2006A Bonds and for the payment of any additional bonds of equal priority issued in accordance with the terms of the Resolution authorizing the Series 2006A Bonds. The Series 2006A Bonds are a lien only upon said revenues and earnings and are not general obligations of the District.

The Resolution authorizing the Series 2006A 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 2006A Bonds and any additional bonds of equal priority with said Series 2006A Bonds and other payments as specified in the Resolution authorizing the Series 2006A Bonds. The Resolution authorizing the Series 2006A Bonds also designates the terms and conditions under which additional bonds of equal priority with the Series 2006A 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 2006A Bonds, the District also reserves the right to issue bonds or notes junior in lien to the Series 2006A Bonds and any additional bonds of equal priority to the Series 2006A 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 2006A Bonds. The Resolution provides certain specific rights with respect to the District's Junior Lien Water Project Revenue Bond (Washington County Rural Water Project No. 2), Series 2006B, being issued contemporaneously with the issuance of the Series 2006A 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.

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

CERTIFICATE OF AUTHENTICATION

Authorized Signature

(FORM OF ASSIGNMENT)

Date: _____

Registered Owner(s)

Signature Guaranteed

By: _____

Authorized Officer

Note: The signature(s) on this assignment **MUST CORRESPOND** with the name(s) as written on the face of the within bond in every particular, without alteration, enlargement or any change

whatsoever, and must be guaranteed by a commercial bank or a trust company or by a firm having membership on the New York, Midwest or other stock exchange.

Section 9. Each of the 2006A Bonds shall be executed on behalf of the District with the manual or facsimile signatures of the Chairperson and Secretary of the District. The 2006A 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 2006A Bonds. Upon the issuance of the 2006A 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 2006A Bonds as securities depository (each, a "Bond Participant") or to any person who is an actual purchaser of a 2006A Bond from a Bond Participant while the 2006A 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 2006A 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 2006A 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 2006A Bonds. The Paying Agent and Registrar shall make payments with respect to the 2006A 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 2006A Bonds to the extent of the sum or sums so paid. No person other than the Depository shall receive an authenticated 2006A 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 2006A 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 2006A Bonds or (ii) to make available 2006A Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging such 2006A Bonds shall designate.

(c) If the District determines that it is desirable that certificates representing the 2006A Bonds be delivered to the Bond Participants and/or Beneficial Owners of the 2006A Bonds and so notifies the Paying Agent and Registrar in writing, the Paying Agent and Registrar shall so notify the Depository, whereupon the Depository will notify the

Bond Participants of the availability through the Depository of bond certificates representing the 2006A Bonds. In such event, the Paying Agent and Registrar shall issue, transfer and exchange bond certificates representing the 2006A 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 2006A Bond is registered in the name of the Depository or any nominee thereof, all payments with respect to such 2006A Bond and all notices with respect to such 2006A Bond shall be made and given, respectively, to the Depository as provided in the Letter of Representations.

(e) Registered ownership of the 2006A Bonds may be transferred on the books of registration maintained by the Paying Agent and Registrar, and the 2006A 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 2006A Bond unless and until such partially redeemed 2006A 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 2006A Bond as is then outstanding and all of the 2006A 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 2006A Bond shall cease to be such officer before the delivery of such 2006A 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 2006A Bond. The 2006A Bonds shall not be valid and binding on the District until authenticated by the Paying Agent and Registrar. The 2006A Bonds shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration and authentication of the 2006A 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. as initial purchaser thereof, upon receipt of the purchase price of ____% of the principal amount thereof plus accrued interest on the principal amount of the 2006A Bonds to date of payment for the 2006A Bonds. Such initial purchaser 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 2006A Bonds, including, without limitation, authorizing the release of the 2006A Bonds by the Depository at closing. A record of information with respect to the 2006A Bonds shall also be filed with the office of the Auditor of Public Accounts as required under Section 10-140, R.R.S. Neb. 1997, as amended. Said initial purchaser shall have the right to direct the registration of the 2006A 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 2006A Bonds which shall be delivered to said initial purchaser.

Section 10. For the payment of the 2006A 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 2006A 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 2006A 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 2006A Bonds shall be deposited with the District's Treasurer and applied as follows:

(a) An amount sufficient to pay estimated costs of issuance shall be set aside for such purposes by the District Treasurer and applied to pay such costs, with any unused balance being applied as set forth in subsection 11(c) below.

(b) The sum of \$340,000 shall be deposited to the 2006A Sub-account in the Debt Service Reserve Fund.

(c) The sum of \$_____ shall be deposited to the Bond Payment Account to be applied to pay interest on the 2006A Bonds falling due on December 15, 2006.

(d) The balance of the proceeds of the 2006A Bonds shall be applied to pay costs of the construction and acquisition of the WC2 Water System, including the payment of the Bank Debt and of any such costs remaining unpaid by the District.

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 2006A 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 2006A 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 2006A 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 2006A Bonds and any Additional Bonds as authorized by this Resolution and interest on such 2006A Bonds and Additional Bonds, as set forth in Section 10 of this Resolution, the District does hereby agree with the holders of said 2006A 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, 2006, the following amounts (the "Bond Payment Amounts"):

- (1) for the period from July 1, 2006 until and including December 1, 2006, an amount equal to 1/6th of the semiannual interest payment on the 2006A Bonds maturing December 15, 2006 (with such amounts being provided for in advance from the deposit directed to be made under the terms of Subsection 11(c);
- (2) for the period from January 1, 2007 until the 2006A Bonds have been paid in full, an amount equal to 1/6th of the next maturing semiannual interest payment on the 2006A Bonds;

- (3) for the period from July 1, 2006 until and including June 1, 2007, an amount equal to 1/12th of the principal payment on the 2006A Bonds maturing June 15, 2007;
- (4) for the period from July 1, 2007 until the 2006A Bonds have been paid in full, an amount equal to 1/12th of the next maturing principal payment for the 2006A 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 2006A 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 2006A Bonds such that all deposit amounts required to make payments on the 2006A 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 2006A 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 2006A Bonds (the “2006A Sub-account”). The District agrees that it shall deposit from monies on hand or from bond proceeds the amount of \$340,000 as the amount required to be maintained in the 2006A 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 2006A Bonds, the 2006A Sub-account), as needed to provide funds to pay, when due, the principal and interest on the 2006A 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 2006A 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 2006A Sub-account with respect to the 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A 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 2006A Bonds or Additional Bonds then outstanding, provided, that if any such 2006A 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 2006A Bonds or Additional Bonds then outstanding provided, that, if any such 2006A 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 2006A 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. 1997, 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 2006A 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 2006A 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 Board of Directors of the District hereby approve the Preliminary Official Statement with respect to the 2006A Bonds and the information therein contained, and the President and Secretary or either of them is authorized to approve and deliver a 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 hereby agrees that it will provide the following continuing disclosure information:

(1) to D.A. Davidson & Co. (the "Underwriter") and any person making request at least annually or in the alternative to any state information depository ("SID") for the State of Nebraska (no such SID currently exists or is presently expected to exist based upon any current pending legislation) the following financial information or operating data regarding the District: any financial information and operating data which is customarily prepared by the District and publicly available, including the District's most recently prepared audited financial statements, which shall be prepared in accordance with current generally accepted accounting principles.

(2) in a timely manner to the Underwriter, to the Municipal Securities Rulemaking Board (the "MSRB"), to the SID (if any) and to any nationally recognized municipal securities information repository for which the Underwriter makes request, notice of the occurrence of any of the following events with respect to the 2006A Bonds, if in the judgement of the District, such event is material:

- a) principal and interest payment delinquencies,
- b) nonpayment related defaults,
- c) unscheduled draws on debt service reserves reflecting financial difficulties,
- d) unscheduled draws on credit enhancements reflecting financial difficulties (not applicable to 2006A Bonds),
- e) substitution of credit or liquidity providers, or their failure to perform (not applicable to 2006A Bonds),
- f) adverse tax opinions or events affecting the tax-exempt status of the 2006A Bonds,
- g) modifications to rights of the bondholders,
- h) bond calls,
- i) defeasances,
- j) release, substitution, or sale of property securing repayment of the 2006A Bonds, and
- k) rating changes (not applicable to 2006A Bonds).

The District does not undertake to provide notice of the occurrence of any other material event, except the events listed above.

The District reserves the right to modify the type of information or the format for any such information provided pursuant to such undertaking, to the extent necessary or appropriate in the judgement of the District, so long as any such modification is consistent with the requirements of the Rule. The undertakings of the District in this Resolution relating to continuing disclosure are hereby declared to be for the benefit of the registered owners of the 2006A Bonds (including beneficial owners of the 2006A Bonds held in nominee name, each a "Beneficial Owner") and such covenants may be enforced by the registered owner of any of the 2006A Bonds or by any Beneficial Owner of the 2006A Bonds, provided that the any right to enforcement shall be limited to specific enforcement of such covenants and any failure shall not constitute an event of default under this Resolution. The District hereby designates its Executive Director as the contact person from whom the foregoing information, data and notices can be obtained.

Section 22. The District hereby covenants and agrees that it will make no use of the proceeds of the 2006A Bonds which would cause the 2006A 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 2006A 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 2006A Bonds to constitute "private activity bonds" within the meaning of Section 141 of the Code. The District hereby designates the 2006A 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 2006. 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 2006A Bonds.

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

ADOPTED this ____ day of May, 2006.

ATTEST:

President

Secretary

[SEAL]

DOCS/731024.6

PAYING AGENT AND REGISTRAR'S AGREEMENT

This Agreement made and entered into as of the 26th day of May, 2006, by and between the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "Issuer"), and The Fremont National Bank and Trust Company, Fremont, Nebraska (the "Registrar").

WITNESSETH:

WHEREAS, the Issuer has authorized the issuance of \$3,400,000 of its Water Project Revenue Bonds (Washington County Rural Water Project No. 2), Series 2006A, Date of Original Issue – May 26, 2006 (the "Bonds"), by Resolution duly adopted on May 18, 2006 (the "Resolution"), and requires the services of a paying agent and registrar for said issue; and

WHEREAS, the Registrar is willing to provide services as paying agent and registrar pursuant to the terms of this Agreement and the Resolution in consideration for the compensation described in this Agreement.

NOW, THEREFORE, the Issuer and the Registrar do hereby agree as follows:

1. The Registrar agrees that it shall maintain on behalf of the Issuer books of record in which the registered owners of the Bonds and their registered addresses shall be duly recorded.
2. Registrar agrees that it shall serve as paying agent for the Issuer in making the payments of principal and interest falling due on the Bonds. The Issuer shall, not later than each interest and principal payment date on the Bonds, deposit with the Registrar an amount sufficient to make such payment. Unless otherwise provided in paragraph 13 hereof, the Registrar shall apply such deposit by mailing a check or draft to each of the registered owners of the Bonds as shown on the books of record maintained pursuant to paragraph 1 hereof for the appropriate amounts of interest due on each respective Bond and make payments of principal and interest on presentation of Bonds, all as prescribed in the Resolution.
3. Registrar hereby accepts and agrees to perform all duties directed by the Resolution to be performed by the "Paying Agent and Registrar" as described in the Resolution and the terms of the Resolution are hereby incorporated by reference.
4. The Registrar shall make the initial registration of the Bonds upon written directions from the original purchaser thereof as designated in the Resolution.
5. Transfer of the Bonds shall be registered pursuant to the terms prescribed in the Resolution, upon surrender to the Registrar of any outstanding Bond in form deemed by the Registrar properly endorsed for transfer with all necessary signatures guaranteed in such manner and form as the Registrar may require by a signature guarantor reasonably believed by Registrar to be responsible, accompanied by such assurances as the Registrar shall deem necessary or appropriate to evidence the genuineness and effectiveness of each necessary signature and, if deemed appropriate by the Registrar, satisfactory evidence of compliance with all applicable laws relating to the collection of

taxes. In registering transfer of the Bonds, the Registrar may rely upon the Uniform Commercial Code or any other statutes which in the opinion of counsel protect the Registrar and the Issuer in not requiring complete documentation, in registering Bonds without inquiry into adverse claims, in delaying registration for purposes of such inquiry, or in refusing registration where in Registrar's judgment an adverse claim requires such refusal.

6. Replacement Bonds for any of the Bonds damaged, lost or stolen shall be issued by the Registrar upon a duly certified Resolution in compliance with the requirements of Section 10-127 to 10-130, R.R.S. Neb. 1997, as now existing or as hereafter amended.

7. As provided by law, the books of registration maintained by the Registrar shall not be deemed public records and shall be available for inspection solely pursuant to a court order or a subpoena of any governmental agency having jurisdiction to issue such subpoena.

8. At least annually, the Registrar shall give a report to the Issuer accounting for all funds received and disbursements made. The Registrar shall maintain customary records in connection with its exercise of its duties under this Agreement and the Resolution.

9. At any time the Registrar may apply to the Issuer for instructions and may consult with the Issuer's attorney or the Registrar's own counsel in respect to any matter arising in connection with its duties under this Agreement and the Resolution and the Registrar shall not be liable or accountable for any action taken or omitted by it in good faith in accordance with such instructions or with the opinion of such counsel. The Registrar may rely on any paper or document reasonably believed by it to be genuine and to have been signed by the proper person or persons.

10. The Issuer agrees to pay any expenses reasonably incurred by the Registrar in connection with the performance of its duties under this Agreement and the Resolution, including counsel fees, and in addition shall pay to the Registrar as compensation for its services the following:

(See attached)

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

12. The Issuer shall have the right to remove the Registrar only in the event of a material breach of the Registrar's duties under this Agreement and the Resolution. In such event, the governing body of the Issuer shall have the right to designate a successor and the Registrar hereby agrees that it shall turn over all of its records with respect to the Bonds to any such successor upon request by the Issuer.

13. Under the terms of the Resolution, the Bonds are to be issued initially as "book-entry-only bonds" using the services of The Depository Trust Company, New York, New York (the "Depository") and initially the entire issue of the Bonds shall be registered in the name of Cede & Co., as nominee for the Depository, with one typewritten or photographically reproduced bond for each separate stated maturity. The Registrar agrees that it will execute and observe the terms and conditions of the Letter of Representations (the "Representation Letter") as authorized by the Resolution. Payment of semiannual interest for any Bond registered as of each Record Date in the name of Cede & Co. shall be made to Cede & Co. in the manner required under the terms of the Representations Letter, as in effect from time to time.

The Registrar and the Issuer may treat the Depository (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to bondholders under the Resolution, registering the transfer of Bonds, obtaining any consent or other action to be taken by bondholders and for all other purposes whatsoever, and neither the Registrar nor the Issuer shall be affected by any notice to the contrary. Neither the Registrar nor the Issuer shall have any responsibility or obligation to any participant of the Depository ("Participant"), any persons claiming a beneficial ownership interest in the Bonds under or through the Depository or any Participant, or any other person which is not shown on the registration books of the Registrar as being a bondholder, with respect to the accuracy of any records maintained by the Depository or any Participant; the payment by the Depository or any Participant of any amount in respect of the principal of or interest on the Bonds; any notice which is permitted or required to be given to bondholders under the Resolution; the selection by the Depository or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by the Depository as bondholder. The Registrar shall pay all principal of and interest on the Bonds only to the Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions directed below, no person other than the Depository shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Issuer to make payments of principal of and interest pursuant to the Resolution. Upon delivery by the Depository to the Registrar of written notice to the effect that the Depository has determined to substitute a new nominee in the place of Cede & Co., and subject to the provisions in the Resolution with respect to Record Dates, the term "Cede & Co." in this Agreement shall refer to such new nominee of the Depository. If the Depository gives notice to the Issuer or the Registrar pursuant to the Representation Letter that it will discontinue providing its services as securities depository with respect to the Bonds, the Issuer shall either appoint a successor securities depository or terminate the book entry system for the Bonds under the following conditions:

(i) Any successor securities depository must be a clearing agency registered with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934 and must enter into an agreement with the Issuer and the Registrar agreeing to act as the depository and clearing agency for all the Bonds. After such agreement has become effective, the Depository shall present the Bonds for registration of transfer in accordance with the Resolution and the Registrar shall register them in the name of the successor securities depository or its nominee.

If a successor securities depository has not accepted such position prior to the effective date of the Depository's termination of its services, the book-entry system shall automatically terminate.

(ii) If the Issuer elects to terminate the book-entry system for the Bonds, it shall so notify the Registrar in writing. Thereafter, upon presentation of the Bonds, or any of them, by the Depository or its nominees to the Registrar for registration of transfer in accordance with the Resolution, the Registrar shall register the transfer in accordance with the Resolution and all provision of this paragraph 13 shall immediately cease to be in effect, except to the extent otherwise provided in this paragraph 13.

The Issuer may elect to terminate the book-entry system for the Bonds at any time by giving written notice to the Depository and the Registrar. On the effective date of such termination, the provisions of this paragraph 13 shall cease to be in effect, except that the Registrar shall continue to comply with applicable provisions of the Representation Letter with respect to Bonds as to which the Depository remains the registered owner. After such termination, the Registrar shall, upon presentation of Bonds by the Depository or its nominee for registration of transfer or exchange in accordance with the Resolution make such transfer or exchange in accordance with the Resolution. Upon the appointment of a successor securities depository or termination of the book-entry system, the Registrar shall give notice of such event to the registered owners of Bonds (through the Depository) and (1) of the name and address of the successor securities depository or (2) that Bonds may now be obtained by the beneficial owners of the Bonds, or their nominees, upon proper instructions being given to the Depository by the relevant Participant and compliance by the Depository with the provisions of the Resolution regarding registration of transfers. Notwithstanding any other provision of this Agreement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Depository (or any successor nominee), all payments with respect to the principal and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to the Depository as provided in the Representation Letter. In connection with any notice or other communication to be provided to bondholders pursuant to the Resolution by the Issuer or the Registrar with respect to any consent or other action to be taken by bondholders, the Issuer or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

14. This Agreement shall terminate when the Bonds have been paid in full. The Registrar shall have no duties with respect to the investment of monies paid to it under this Agreement and the Resolution. Any deposit of such monies shall be either fully insured by insurance of the Federal Deposit Insurance Corporation or fully secured in the manner required by law for deposit of funds of the Issuer. Any such deposit may be in an account maintained with Registrar.

15. If any one or more of the covenants or agreements to be performed by either of the parties to this Agreement shall be determined by a court of competent jurisdiction to be unenforceable, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

16. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

17. This Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska.

IN WITNESS WHEREOF, the parties hereto have each caused this Paying Agent and Registrar's Agreement to be executed by their duly authorized officers and attested as of the date first above written.

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

By: _____
Chairman

ATTEST:

Secretary

NEBRASKA TRUST COMPANY, N.A.
FREMONT, NEBRASKA
Paying Agent and Registrar

By: _____



Municipal / Corporate Bond Fee Schedule

Acceptance of all Corporate Trust Accounts is subject to:

1. Receipt and review of governing documents
2. Formal acceptance by appropriate Trust Committee

Fremont National Bank & Trust Company has attempted to arrive at a reasonable fee schedule that is simple to understand. As such, our fees are comprehensive. Fees are normally billed on an annual basis.

A. INDIVIDUAL CERTIFICATES/NON-DEPOSITORY TRUST COMPANY SETTLEMENT

INITIAL OPENING FEE: \$500.00 plus \$1.50 per certificate issued.

ANNUAL SERVICE FEE: \$650.00 plus \$1.50 per outstanding certificate at year-end.

*Postage, Federal Express charges, wire fees or other out-of-pocket expenses will be invoiced separately based on actual charges incurred.

B. BOOK ENTRY SINGLE HOLDER ISSUES

INITIAL OPENING FEE: \$500.00

ANNUAL SERVICE FEE: \$450 (plus any wire fees or out-of-pocket expenses which will be invoiced separately)

C. ESCROW ACCOUNT: A one-time fee will be charged upon account opening.

Duration of 18 months or less: \$500; duration over 18 months: \$1,000

D. CONSTRUCTION ACCOUNT: A \$10 fee per distribution will be charged.

The services to be provided for the fees are as follows:

INITIAL SERVICES

1. Establish bond register and supporting documentation
2. Imprint names on bond certificates and authenticate
3. Maintain back-up data files off-site

ANNUAL SERVICES

1. Remit payment of interest and/or principal to bondholders each payment period.
2. Maintain bond register and maintain inventory of unissued certificates
3. Receive and record changes of addresses
4. Transfer ownership certificates:
 - \$Examine and approve signatures and supporting documents
 - \$Cancel old certificate and issue an authenticated new certificate
 - \$On bond register, cancel old and establish new holder record
 - \$Mail new certificate
 - \$Send reminder notices to issuer, 15 to 30 days prior to each due date, of amount or principal and/or interest due
 - \$Issue 1099 interest forms with original to state government and copy for each holder (taxable issues).
 - \$Notify holders of called bonds
 - \$Correspond with holders regarding transfer requirements or general inquiries

All fees are subject to review and may change to reflect current economic conditions. Fremont National Bank & Trust Company reserves the right to assess a transfer fee equal to an annual fee.

(Effective 08/28/00, Revised 01/02)

Fremont National Bank & Trust Company • 610 North Main Street • PO Box 169 • Fremont, Nebraska 68026-0169
Phone: 402-753-2293, 800-317-2265 • Fax: (402) 753-2204 • E-mail: dkoehlmoos@fremontnational.com • www.fremontnational.com

Securities and Repurchase Agreements are not FDIC insured, are not deposits or other obligations of, or guaranteed by Fremont National Bank & Trust Co., and involve investment risks, including possible loss of principal amount invested.

PAYING AGENT AND REGISTRAR'S AGREEMENT

This Agreement made and entered into as of the 26th day of May, 2006, by and between the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "Issuer"), and The Fremont National Bank and Trust Company, Fremont, Nebraska (the "Registrar").

WITNESSETH:

WHEREAS, the Issuer has authorized the issuance of \$1,150,000 of its Junior Lien Water Project Revenue Bond (Washington County Rural Water Project No. 2), Series 2006B, Date of Original Issue – May 26, 2006 (the "Bonds"), by Resolution duly adopted on May 18, 2006 (the "Resolution"), and requires the services of a paying agent and registrar for said issue; and

WHEREAS, the Registrar is willing to provide services as paying agent and registrar pursuant to the terms of this Agreement and the Resolution in consideration for the compensation described in this Agreement.

NOW, THEREFORE, the Issuer and the Registrar do hereby agree as follows:

1. The Registrar agrees that it shall maintain on behalf of the Issuer books of record in which the registered owners of the Bonds and their registered addresses shall be duly recorded.
2. Registrar agrees that it shall serve as paying agent for the Issuer in making the payments of principal and interest falling due on the Bonds. The Issuer shall, not later than each interest and principal payment date on the Bonds, deposit with the Registrar an amount sufficient to make such payment. The Registrar shall apply such deposit by mailing a check or draft to each of the registered owners of the Bonds as shown on the books of record maintained pursuant to paragraph 1 hereof for the appropriate amounts of interest due on each respective Bond and make payments of principal and interest on presentation of Bonds, all as prescribed in the Resolution.
3. Registrar hereby accepts and agrees to perform all duties directed by the Resolution to be performed by the "Paying Agent and Registrar" as described in the Resolution and the terms of the Resolution are hereby incorporated by reference.
4. The Registrar shall make the initial registration of the Bonds upon written directions from the original purchaser thereof as designated in the Resolution.
5. Transfer of the Bonds shall be registered pursuant to the terms prescribed in the Resolution, upon surrender to the Registrar of any outstanding Bond in form deemed by the Registrar properly endorsed for transfer with all necessary signatures guaranteed in such manner and form as the Registrar may require by a signature guarantor reasonably believed by Registrar to be responsible, accompanied by such assurances as the Registrar shall deem necessary or appropriate to evidence the genuineness and effectiveness of each necessary signature and, if deemed appropriate by the Registrar, satisfactory evidence of compliance with all applicable laws relating to the collection of taxes. In registering transfer of the Bonds, the Registrar may rely upon the Uniform Commercial

Code or any other statutes which in the opinion of counsel protect the Registrar and the Issuer in not requiring complete documentation, in registering Bonds without inquiry into adverse claims, in delaying registration for purposes of such inquiry, or in refusing registration where in Registrar's judgment an adverse claim requires such refusal.

6. Replacement Bonds for any of the Bonds damaged, lost or stolen shall be issued by the Registrar upon a duly certified Resolution in compliance with the requirements of Section 10-127 to 10-130, R.R.S. Neb. 1997, as now existing or as hereafter amended.

7. As provided by law, the books of registration maintained by the Registrar shall not be deemed public records and shall be available for inspection solely pursuant to a court order or a subpoena of any governmental agency having jurisdiction to issue such subpoena.

8. At least annually, the Registrar shall give a report to the Issuer accounting for all funds received and disbursements made. The Registrar shall maintain customary records in connection with its exercise of its duties under this Agreement and the Resolution.

9. At any time the Registrar may apply to the Issuer for instructions and may consult with the Issuer's attorney or the Registrar's own counsel in respect to any matter arising in connection with its duties under this Agreement and the Resolution and the Registrar shall not be liable or accountable for any action taken or omitted by it in good faith in accordance with such instructions or with the opinion of such counsel. The Registrar may rely on any paper or document reasonably believed by it to be genuine and to have been signed by the proper person or persons.

10. The Issuer agrees to pay any expenses reasonably incurred by the Registrar in connection with the performance of its duties under this Agreement and the Resolution, including counsel fees, and in addition shall pay to the Registrar as compensation for its services the following:

(See attached)

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

12. The Issuer shall have the right to remove the Registrar only in the event of a material breach of the Registrar's duties under this Agreement and the Resolution. In such event, the governing body of the Issuer shall have the right to designate a successor and the Registrar hereby agrees that it shall turn over all of its records with respect to the Bonds to any such successor upon request by the Issuer.

13. This Agreement shall terminate when the Bonds have been paid in full. The Registrar shall have no duties with respect to the investment of monies paid to it under this Agreement and the Resolution. Any deposit of such monies shall be either fully insured by insurance of the Federal Deposit Insurance Corporation or fully secured in the manner required by law for deposit of funds of the Issuer. Any such deposit may be in an account maintained with Registrar.

14. If any one or more of the covenants or agreements to be performed by either of the parties to this Agreement shall be determined by a court of competent jurisdiction to be unenforceable, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

15. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

16. This Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska.

IN WITNESS WHEREOF, the parties hereto have each caused this Paying Agent and Registrar's Agreement to be executed by their duly authorized officers and attested as of the date first above written.

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

By: _____
Chairman

ATTEST:

Secretary

NEBRASKA TRUST COMPANY, N.A.
FREMONT, NEBRASKA
Paying Agent and Registrar

By: _____



Municipal / Corporate Bond Fee Schedule

Acceptance of all Corporate Trust Accounts is subject to:

1. Receipt and review of governing documents
2. Formal acceptance by appropriate Trust Committee

Fremont National Bank & Trust Company has attempted to arrive at a reasonable fee schedule that is simple to understand. As such, our fees are comprehensive. Fees are normally billed on an annual basis.

A. INDIVIDUAL CERTIFICATES/NON-DEPOSITORY TRUST COMPANY SETTLEMENT

INITIAL OPENING FEE: \$500.00 plus \$1.50 per certificate issued.

ANNUAL SERVICE FEE: \$650.00 plus \$1.50 per outstanding certificate at year-end.

*Postage, Federal Express charges, wire fees or other out-of-pocket expenses will be invoiced separately based on actual charges incurred.

B. BOOK ENTRY SINGLE HOLDER ISSUES

INITIAL OPENING FEE: \$500.00

ANNUAL SERVICE FEE: \$450 (plus any wire fees or out-of-pocket expenses which will be invoiced separately)

C. ESCROW ACCOUNT: A one-time fee will be charged upon account opening.

Duration of 18 months or less: \$500; duration over 18 months: \$1,000

D. CONSTRUCTION ACCOUNT: A \$10 fee per distribution will be charged.

The services to be provided for the fees are as follows:

INITIAL SERVICES

1. Establish bond register and supporting documentation
2. Imprint names on bond certificates and authenticate
3. Maintain back-up data files off-site

ANNUAL SERVICES

1. Remit payment of interest and/or principal to bondholders each payment period.
2. Maintain bond register and maintain inventory of unissued certificates
3. Receive and record changes of addresses
4. Transfer ownership certificates:
 - \$Examine and approve signatures and supporting documents
 - \$Cancel old certificate and issue an authenticated new certificate
 - \$On bond register, cancel old and establish new holder record
 - \$Mail new certificate
 - \$Send reminder notices to issuer, 15 to 30 days prior to each due date, of amount or principal and/or interest due
 - \$Issue 1099 interest forms with original to state government and copy for each holder (taxable issues).
 - \$Notify holders of called bonds
 - \$Correspond with holders regarding transfer requirements or general inquiries

All fees are subject to review and may change to reflect current economic conditions. Fremont National Bank & Trust Company reserves the right to assess a transfer fee equal to an annual fee.

(Effective 08/28/00, Revised 01/02)

Fremont National Bank & Trust Company • 610 North Main Street • PO Box 169 • Fremont, Nebraska 68026-0169
Phone: 402-753-2293, 800-317-2265 • Fax: (402) 753-2204 • E-mail: dkoehlmoos@fremontnational.com • www.fremontnational.com

Securities and Repurchase Agreements are not FDIC insured, are not deposits or other obligations of, or guaranteed by Fremont National Bank & Trust Co., and involve investment risks, including possible loss of principal amount invested.



D.A. Davidson & Co.
member SIPC

MEMORANDUM:

TO: Chairperson and Board of Directors
Papio-Missouri River Natural Resources District
8901 South 154th Street, Omaha, NE 68134

Attn: Dick Sklenar, Project Manager

RE: Washington County Rural Water Project No. 2
Water System Financing— and
Issuance of Water Project Revenue Bonds

DATE: May 4, 2006

Attached are various documents and summary information pertaining to the financing of the costs of the Washington County Rural Water Project No. 2 project, which commenced delivery of water through the distribution system early in 2006, with the first billing date for such service of February 1, 2006.

Although the Papio-Missouri River Natural Resources District (“NRD” or “District”) and its staff are experienced and have demonstrated success in its rural water system projects as well as in other District endeavors, Washington County Rural Water System No. 2, is a “start-up” system with no historical operating data. Accordingly, due to its start-up nature, current legal requirements as to disclosure and due diligence in public financings and recent upward interest rate pressure, the materials included in the packet are substantial in volume and content.

Note that the documents are Discussion Documents, in some cases, perhaps particularly in reference to the Preliminary Official Statement (“POS”), requiring substantial revisions based on staff and legal review before final approval, planned for the regular May 18, 2006 Board Meeting.

NRD Staff has been very helpful and focused in working to structure the needed financing to this point in a thorough and professional manner.

Here are the expected steps to process the project financing:

- May 4 through May 8 Continued Review of documents, POS and other details, including meetings with NRD Staff.
- May 9 distribution of POS and continuation of marketing process for bonds
- May 9 City of Blair authorizes its bonds payable to the NRD as collateral security for the issuance of the Bonds of the District, all as set out and in concert with the interlocal agreement between the District, the City of Blair and Washington County
- May 16, target date for final determination of interest rate levels, final sizing and other related details of the transaction
- May 16 NRD Finance Committee Meeting to review transaction in preparation for a Committee report and recommendation to the Board of Directors
- May 18 Regular Board Meeting – planned date to finalize all details and adoption by the Board of the required resolutions and related support actions.
- May 26 Target date for closing of the financings:
 - Bonds Delivered and funds delivered to the NRD
 - Blair Bonds delivered to the NRD as collateral for NRD Bonds
 - Wells Fargo Bank loan retired

Structure of the Financing:

Given the start-up nature of Water Project No. 2, cash flows are an unknown quantity, based on engineering reports, assessment of population growth and building activity in the project area, and NRD staff projections. It is therefore recommended that to provide the best flexibility for the District and enhance marketability for the financing that bonds be issued in two series: (1) A Series 2006A Bond of the projected amount of \$3,400,000. Amortized over a projected 16-year period. The final maturity is subject to change based on market acceptance and interest rate levels and may be lengthened or shortened before final terms can be determined. If shortened a structure with a balloon payment may be a logical result. (2) A Series 2006B Junior Lien Bond of the projected total of \$1,150,000. Efforts are in process for a direct purchase of this Series 2006B Bond with a single purchaser. The payment schedule would be wrapped into the District Staff's projected cash flows. A renewal or refunding the Series 2006B Bond or a partial refunding of the Series A Bonds may be determined to be pursued in future years based

on the initial few years of operating revenues. The goal is to retire all debt as rapidly as possible using sound business judgment.

Initial Projected Borrowing Costs

The initial calculations of debt service are based on a preliminary interest rate estimate of approximately 4.65% as the average rate on the Series 2006A Bonds and the fixed rate on the single maturity Series 2006B Bonds. Market factors will drive the final rate of interest. Transactional costs will consist of paying agent fees estimated at \$1,000 for set up fees, legal and Bond Counsel costs and unqualified approving Legal Opinion estimated at \$7,500, and costs of underwriting, placement expenses, printing, registration fees and miscellaneous costs estimated at \$46,850. In total those fees equal an estimated \$55,350. Measured as a component of the Series 2006A Bonds only, that would equate to 1.62% for transaction costs. Measured as a component of a total borrowing of \$4,450,000 (\$3,400,000 Series 2006A plus \$1,150,000 Series 2006B equals \$4,550,000) such cost would equal approximately 1.22%.

Requirements for Closing

As in all bond transactions, the completion of a financing is subject to a number of occurrences and events. Included in those matters are the successful marketing and/or direct purchase of bonds as set out above at interest rates and terms mutually agreeable to all parties to the transaction, appropriate actions, findings and certifications of the District, its Officers and Staff, use of audited financial records and the issuance of the unqualified approving opinion of the District's Legal Counsel and of Bond Counsel. Bond Counsel in this financing is Baird Holm LLC, of Omaha.

In the opinion of Baird Holm, LLP, Omaha, Nebraska, Bond Counsel, assuming continuing compliance with certain restrictions described herein, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2006 Bonds is not includable in gross income for federal income tax payers generally. See the caption "TAX EXEMPTION" herein. Under existing laws of the State of Nebraska, the Series 2006 Bonds and the income therefrom are exempt from all taxation in the State of Nebraska, except for transfer and estate taxes.

Bank Qualified

Preliminary Official Statement
Book-Entry-Only

\$3,400,000*

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

WATER PROJECT REVENUE BONDS, SERIES 2006A

WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

DRAFT

FOR DISCUSSION PURPOSES ON

Dated: May 15, 2006

Due: June 15, as shown below

The Fremont National Bank and Trust Company, Fremont, Nebraska is the Paying Agent and Registrar. Interest is payable commencing December 15, 2006 and semiannually thereafter on December 15 and June 15. The Bonds are issuable as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of Bonds will be made in book-entry-only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial owners of the Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal or redemption price of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC Participants. See "BOOK-ENTRY-ONLY SYSTEM."

\$3,400,000 SERIES 2006A BONDS *

<u>Amount *</u>	<u>June 15 Maturity</u>	<u>Interest Rate</u>	<u>Price</u>
\$175,000	2007	%	
225,000	2008		
225,000	2009		
225,000	2010		
225,000	2011		
240,000	2012		
235,000	2013		
245,000	2014		
245,000	2015		
140,000	2016		
160,000	2017		
180,000	2018		
200,000	2019		
200,000	2020		
230,000	2021		
250,000	2022		

The Bonds are offered in book-entry form, when, as and if issued and received by the Underwriter and subject to the approval of legality by Messrs. Baird Holm, LLP, Omaha, Nebraska, Bond Counsel, and certain other conditions. It is expected that the Bonds will be available for delivery through The Depository Trust Company, in New York, New York, on or about _____, 2006

Provided, however bonds maturing on or after June 15, 2012 are subject to redemption in whole or in part prior to maturity at any time on or after June 15, 2011, at par plus accrued interest to the date set for redemption.

*** Preliminary, Subject to Change**



D.A. Davidson & Co.

member SIPC

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE NATURAL RESOURCES DISTRICT DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS CHANGE OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTIONS 3(a)(2) AND 3(a)(4) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such other person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information set forth herein has been obtained from the District and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

The information contained in the Official Statement has been obtained from the Papio-Missouri River Natural Resources District and other sources which are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information, and nothing contained in the Official Statement is, or shall be, relied on as a promise or representation by the Underwriter. The Official Statement is submitted in connection with the sale of securities as referred to therein, and may not be reproduced or be used, in whole or in part, for any other purpose. Neither delivery of the Official Statement nor any sale made thereunder shall create an implication that information therein is correct as of any time subsequent to its date.

No dealer, broker, salesman or other person has been authorized by the Papio-Missouri River Natural Resources District or the Underwriters to give any information or to make any representation other than as contained in this Official Statement, in connection with the offering described herein, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities other than those described herein or an offer to sell or a solicitation of an offer to buy within any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale within such jurisdiction.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

ACTING GENERAL MANAGER

Marlin Petermann

PROJECT MANAGER

Dick Sklenar

BOARD OF DIRECTORS

Fred Conley

John Conley, Treasurer

Richard Connealy

Tim Fowler

Rich Jansen, Chairperson

Richard Kolowski, Assistant Treasurer

Dorothy Lanphier

Joseph Neary

John Schwope

Richard Tesar, Secretary

Jim Thompson, Vice-Chairperson

ISSUER'S ATTORNEY

Paul Peters, Attorney at Law

Omaha, Nebraska

BOND COUNSEL

Baird Holm, LLP

Omaha, Nebraska 68102

UNDERWRITERS

D.A. Davidson & Co.

10250 Regency Circle

Omaha, Nebraska 68114

TABLE OF CONTENTS

INTRODUCTION	
THE BONDS	
General Description	
REGISTRATION AND TRANSFER	
BOOK-ENTRY-ONLY SYSTEM.....	
REDEMPTION PROVISIONS	
Optional Redemption	
Notice of Effect of Redemption	
SECURITY FOR THE BONDS	
PURPOSE OF THE BONDS	
SOURCES AND USES OF BOND PROCEEDS	
PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT	
WASHINGTON COUNTY RURAL WATER SYSTEM NO. 2 DESCRIPTION.....	
HISTORICAL OPERATING RESULTS OF THE WATER SYSTEM	
ESTIMATED DEBT SERVICE COVERAGE	
NEBRASKA DEVELOPMENTS RELATED TO TAXATION	
TAX EXEMPTION	
NO DEFAULTED BONDS	
UNDERWRITING	
CONTINUING DISCLOSURE	
FINANCIAL STATEMENTS	
CERTIFICATE OF NO LITIGATION	
APPROVAL OF LEGAL PROCEEDINGS	
RATING	
MISCELLANEOUS	

APPENDIX A - Papio-Missouri River Natural Resources District, NE

-General Information

-General Information – The City of Omaha, Nebraska

-General Information – The City of Blair, Nebraska

APPENDIX B - Papio-Missouri River Natural Resources District, NE

- Financial Information

Part One: Selected Papio-Missouri River Natural Resources District Financial Information

Part Two: Independent Auditors' Report and Combined Financial Statements

APPENDIX C – Form of Continuing Disclosure Undertaking

APPENDIX D – Bond Resolution

APPENDIX E – Interlocal Agreement: District, City of Blair, Washington County

APPENDIX F – Long Range Implementation Plan, Fiscal Year 2006

OFFICIAL STATEMENT

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

\$3,400,000*

WATER PROJECT REVENUE BONDS, SERIES 2006A WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and any Appendices hereto, is to furnish information concerning the Papio-Missouri River Natural Resources District (the "P-MR NRD" the "District" or the "NRD") and certain other information in connection with the issuance and sale of the NRD's \$3,400,000 Water Project Revenue Bonds, Series 2006A, Washington County Rural Water Project No. 2 (the "Series 2006A Bonds" or the "Bonds").

Located in eastern Nebraska, the Papio-Missouri River Natural Resources District consists of all of Washington, Douglas, Sarpy, and Dakota Counties, the eastern two-thirds of Burt and Thurston Counties, and a small portion of southeastern Dodge County. Reference is made to appendixes and this full Preliminary Official Statement for additional information regarding the District. The District's web site is: www.papionrd.org

The District is bounded on the east by the Missouri River, and by the Platte River on the south and a portion of the West. Three major river basins (Missouri, Platte, and Elkhorn) are represented. The District is governed by an elected Board of Directors. There are currently 11 members on the Board representing 11 subdistricts.

The FY 2006/2007 budget is in compliance with provisions of Nebraska state statutes. The District is limited to a 2.5% increase in restricted funds plus growth, if the growth exceeds 2.5%. After receiving final Certification of Valuations from County Assessors' offices, the allowable growth for the District was 3.63%, which enabled the District to implement an additional 1.13% for growth. The Board also voted to exceed the limit by 1% pursuant to Neb. Rev. State. §§ 13-518 through 13-522 at the August 11, 2005 Board meeting. The current fiscal year budget calls for total estimated expenditures of \$31.12 million, compared to \$31.78 million in FY 2005. Of this amount, an estimated \$15.73 million in revenue is budgeted to come from property taxes. The remainder of revenue will be received through State of Nebraska and federal funding for projects, and special assessments. The unused budget authority created for next year is \$351,350.62.

The Bonds are issued by the NRD to provide funds to retire interim construction financing and pay remaining costs of the construction of certain water system improvements and for Washington County Rural Water Project No. 2 ("Water Project No. 2" or the "Project") including water system interconnections with the City of Blair, Nebraska, (the City of Blair being the supplier of water to Water Project No. 2) the construction of elevated water storage facilities, construction of a rural water distribution system consisting of lines, mains and other related water system improvements, to provide emergency system interconnections with the Metropolitan Utilities District of Omaha, and other necessary and incidental water system improvements. A portion of the Series 2006A Bonds will be used to create and establish a debt service reserve fund and to pay costs of issuance and underwriting associated with issuance of the Series 2006A Bonds.

Attention is called to the captions contained in this official statement titled "Nebraska Developments Related to Taxation," page ____, and "Tax Exemption," page ____.

*** Preliminary, Subject to Change**

THE BONDS

The Series 2006A Bonds will be dated May 15, 2006 and will bear interest from that date, payable commencing December 15, 2006 and semiannually thereafter each December 15 and June 15. Pursuant to the Resolution authorizing the Bonds, the Bonds will be issued in "Book-Entry-Only" form, without coupons in denominations of \$5,000 or integral multiples thereof, not exceeding the amount of each maturity.

The Series 2006A Bonds will mature and bear interest at the rates referred to on the cover page of this Official Statement and shall be subject to call as set out on the cover page and as described herein.

REGISTRATION AND TRANSFER

The NRD and The Fremont National Bank and Trust Company, Fremont, Nebraska, as Paying Agent and Registrar may treat the registered owner of any Series 2006A Bond as the absolute owner of such Series 2006A Bond for the purpose of making payment thereof and for all other purposes and neither the NRD nor the Paying Agent and Registrar shall be bound by any notice or knowledge to the contrary, whether such Series 2006A Bond shall be overdue or not. All payments of or on account of interest to any registered owner of any Series 2006A Bond and all payments of or on account of principal to the registered owner of any Series 2006A Bond shall be valid and effectual and shall be a discharge of the NRD and the Paying Agent and Registrar, in respect of the liability upon the Series 2006A Bonds or claim for interest, as the case may be, to the extent of the sum or sums paid.

The NRD will cause the books for the registration and transfer of the Series 2006A Bonds to be kept at the principal corporate trust office of the Paying Agent and Registrar at all times while any of such Series 2006A Bonds shall be outstanding. The Series 2006A Bonds are being issued in "Book-Entry-Only" form. Reference is made to the section and caption entitled "BOOK-ENTRY-ONLY SYSTEM" for registry details and transfer information. To the extent of denominations authorized for Series 2006A Bonds by the terms of this Bond Resolution, one Series 2006A Bond may be transferred for several other Series 2006A Bonds of the same series, interest rate and maturity, and for a like aggregate principal amount and several such Series 2006A Bonds, of the same series may be transferred for one of several such Series 2006A Bonds, respectively, the same series, interest rate and maturity and for a like aggregate principal amount.

As a condition of any registration or transfer, the Paying Agent and Registrar may at its option require the payment of a sum sufficient to reimburse it or the NRD for any tax or other governmental charge that may be imposed thereon, but no fee shall be charged for the registration of transfer or issuance.

The Paying Agent and Registrar shall not be required (a) to issue, transfer or exchange Series 2006A Bonds from the fifteenth day immediately preceding any interest payment date until such interest payment date; or (b) to register, transfer or exchange any Series 2006A Bond which has been designated for redemption within a period of 30 days next preceding the date fixed for redemption.

BOOK-ENTRY-ONLY SYSTEM

The Bonds are available in book-entry only form and beneficial ownership interests therein may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds.

The following information concerning The Depository Trust Company ("DTC"), New York, New York and DTC's book-entry system has been obtained from sources the District believes to be reliable. However, the District takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Payment of principal or redemption price of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described herein under the caption **"Registration, Transfer and Exchange of Bonds Upon Discontinuance of Book-Entry Only System."**

REDEMPTION PROVISIONS

The Bonds shall be subject to redemption prior to maturity as follows:

Optional Redemption. Bonds maturing on or after June 15, 2012 shall be subject to optional redemption, in whole or in part, prior to maturity at any time on or after June 15, 2011, at par plus accrued interest on the principal amount redeemed to the date fixed for redemption. The NRD shall have complete discretion in the selection of amounts and maturities for redemption.

Notice of Redemption; Effect of Redemption

Notice of redemption of any Series 2006A Bond or any portion thereof shall be given by first class mail to the registered owner (initially only Cede & Co. as nominee for DTC) of such Series 2006A Bond (initially only Cede & Co.), addressed to his or her registered address and placed in the mail not less than thirty days prior to the date fixed for redemption. Such notice shall specify the numbers of the Series 2006A Bonds called for redemption, the redemption date and the place where the redemption amount will be payable, and in the case of Series 2006A Bonds to be redeemed in part only, such notice shall specify the respective portion of the principal amount thereof to be redeemed. If funds sufficient for such redemption shall be held by the Paying Agent and Registrar on the date fixed

for redemption and such notice shall have been given, the Series 2006A Bonds or the portion thereof thus called for redemption, shall not bear interest after the date fixed for redemption.

If less than all of the Series 2006A Bonds of any maturity are to be redeemed, the Paying Agent and Registrar shall determine, in its sole discretion, in any manner deemed by it to be fair and equitable, the particular Series 2006A Bonds or portions of Series 2006A Bonds of such maturity to be so redeemed. Any Series 2006A Bond shall be subject to redemption in part in a principal amount equal to \$5,000 or any integral multiple thereof.

If the Bonds are being held by DTC under the book-entry system and less than all of such Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Participant in such maturity to be called for redemption, and each Participant is to then select by lot the ownership interest in such maturity to be redeemed. See "BOOK-ENTRY-ONLY SYSTEM" herein.

SECURITY FOR THE BONDS

Pursuant to the Resolution authorizing the Bonds, all the revenues and earnings of the Water System, including any and all additions and improvements to the Water System, are pledged and hypothecated for the payment of the Series 2006A Bonds and any additional bonds as authorized by the Resolution authorizing the Series 2006A Bonds. The Resolution establishes certain funds, all as outlined in the extract of the Resolution appended hereto as Appendix A. The NRD is applying funds from the principal amount of the Series 2006A Bonds to create a Debt Service Reserve Fund of \$340,000 established for the Series 2006A Bonds. The Bond Resolution required the District to operate the Water System in a reasonable and efficient manner and to impose, maintain and revise rentals, rates, fees and charges for the Water System, and taking into consideration amounts received under the Interlocal Agreement described herein (and appended hereto as "Appendix E") sufficient to at all times to enable the District to pay the annual principal of and interest on the Series 2006A Bonds and any additional bonds of equal parity with the Series 2006A Bonds. Any additional bonds, as more fully described in the Bond Resolution for the Series 2006A Bonds appended hereto as "Exhibit D" may be issued only meeting a requirement of a minimum of 1.25 times debt service coverage on all bonds then outstanding and to be issued as parity bonds.

Payments to be Received Under the Interlocal Agreement

The District has entered into an Interlocal agreement with the City of Blair and Washington County Nebraska which requires certain annual payments to be made to the District for the improvements. The projected payments are shown here. The payments shall be fixed based on the interest rate payable on the Districts outstanding bonds related to the Water System which amounts shall be applied to pay the Bonds.

<u>Year</u>	<u>City of Blair</u>	<u>Washington County</u>	<u>Total *</u>
2006	\$291,952	\$25,942	\$317,894
2007	399,828	25,942	425,770
2008	388,734	25,942	414,676
2009	377,348	25,942	403,290
2010	365,670	25,942	391,612
2011	353,846	25,942	379,788
2012	341,875	25,942	367,817
2013	329,613	25,942	355,555
2014	317,206	25,942	343,148
2015	<u>304,652</u>	<u>25,942</u>	<u>330,594</u>
Totals	\$3,470,724	\$259,420	\$3,730,144

(Calculations are preliminary)

PURPOSE OF THE BONDS

The Bonds are issued by the NRD for the purpose retiring together with cash on hand the NRD's outstanding construction loan and to pay the balance of costs of the Project. A portion of the Series 2006A Bonds will be used to pay costs of issuance and underwriting associated with issuance of the Series 2006A Bonds and to establish as described herein and as provided by the Bond Resolution, a debt service reserve fund for the Series 2006A Bonds.

A portion of the proceeds will be applied toward payment of interest to accrue on the Bonds and for the payment of certain issuance expenses, including, but not limited to, Bond Attorney, NRD Attorney, bond and official statement printing, paying agent and registrar, and underwriters' discount and other expenses related to the issuance of the Bonds.

Concurrently with the issuance of the Series 2006A Bonds, the District is making a direct placement of \$1,150,000 principal par amount of its Junior Lien Water Project Revenue Bond, Series 2006B, dated as of its date of delivery and settlement, to fund a portion of the project costs (the "Junior Lien" or the "2006B Note"). Said 2006B Note, maturing June 10, 2011, is subordinate to the Series 2006A Bonds as to payment of interest and principal. The District expects to pay the 2006B Note from other available funds of the District, from revenues of the Washington County Rural Water Project No. 2, or to refund the Series 2006B Note retiring said Series 2006B Note with proceeds of the issuance of a subsequently issued note or bonds of the District payable from a revenue pledge of the Washington County Rural Water Project No. 2.

THE PROJECT WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

The project, with a total cost of approximately \$4,350,000, consists of construction of a water storage and distribution system to serve Washington County Rural Water Project No. 2, ("Water Project No. 2) located in southern Washington County, Nebraska. The system became operational in February 2006. The system principally consists of an interconnection with the City of Blair, Nebraska through connecting mains for delivery of water to a new 1 million gallon elevated storage reservoir and through a network of transmission mains and distribution lines to serve farms and rural residences in the project area. The project area is an area of increasing rural residential development, located north of the City of Omaha, south of the City of Blair and west of the City of Fort Calhoun, Nebraska, which area has limitations as to availability of water both in terms of quantity and quality.

The water source is the City of Blair, Nebraska ("Blair") which has a high production modern water supply and treatment facility. Blair has contracted to sell water at wholesale to the NRD, with the NRD managing and maintaining the distribution system. Blair is making payments to the NRD annually to pay a for a portion of the construction cost of the elevated water storage facility and for the over-sizing of the primary water main to a size of 12 inch diameter to provide an emergency water source for Blair. In the event of a failure of or interruption of Blair's water system and service, an emergency interconnection is constructed on the west edge of the City of Fort Calhoun, Nebraska ("Fort Calhoun"). Fort Calhoun is provided water at wholesale from the Metropolitan Utilities District of Omaha ("MUD") through the Papio-Missouri River Natural Resources District through the District's Washington County Rural Water Project No. 1. In an emergency event, control systems will enable water flow to be reversed, in order to flow from Fort Calhoun to Blair, through the District's Washington County Rural Water Project No. 2, to maintain the capacity of the above described 1 million gallon elevated storage reservoir. Agreements have been entered into between Blair, the NRD, Fort Calhoun and MUD to facilitate this unlikely but essential emergency water supply and delivery system.

THE PROJECT AREA SERVED BY WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

The area served by Washington County Rural Water Project No. 2 consists of approximately 20 square miles, or in excess of 13,000 acres, located in the southerly portion of Washington County, Nebraska. The northerly boundary of Water Project No. 2 is just ½ mile south of Blair and its easterly boundary is immediately adjacent to Fort Calhoun. Water Project No. 2 is generally located in an area of rolling hills with principally domestic soft wood timber and native burr oak trees, extending from Fort Calhoun west a total of 6 miles and from Blair, to the southeast

approximately 6 miles. A map of the area appears in this narrative section. The project is the result of a survey paid in part by fees of the respondents petitioning for the creation of a water distribution system to serve the increasingly rural residential development of the project area. Historically, a farming area with grain and hay crop farming with the production of cattle and hogs, the rolling terrain and small fields have become not as economically suited for modern farming practices and farm size. The result has been an accelerating conversion of usage to rural residential. Considerable home construction has been of 10 or more acre tracts, often with facilities for horses and riding opportunities.

Other events which have encouraged rural residential development include the construction of a concrete paved highway from Fort Calhoun west approximately 3.5 miles of County Road P32. The Nebraska Department of Roads has completed plans for the continuation of the paved highway upgrading it from its current end of pavement west approximately an additional 3.5 miles to intersect with State Highway 133, a main travel route from Omaha to Blair. Highway 133 is scheduled to be expanded to a 4 lane divided highway over the next several years, with Highway 133 being reconstructed to a 4-lane highway just 4 miles south of the southerly boundary of Water Project No. 2. From the intersection of Highway 133 with north/south County Road 37, said County Road 37 is being paved with asphaltic concrete paving now under construction to be completed in early summer of this 2006 calendar year. In addition to Highway 133 which lies within and serves Water District No. 2 south of Blair, County Road 35 is an asphaltic road surface. The key roadways serving the heart of the area encompassing Water Project No. 2 are hard surfaced roads encouraging continuing rural residential development

In 2005, by action of the Washington County Board of Supervisors, zoning modifications have enabled the ability of landowners and developers to subdivide property into smaller lots as small as 2 acres in size if served by a hard surfaced road and meeting other development tests including availability of domestic water. Several subdivisions have been created as a result, the largest of which is being developed by Curt Hofer, an experienced homebuilder and developer in the Omaha housing market. Hofer's Cottonwood Creek contains 65 single-family lots in Phase I, with 30 lots planned in Phase II. A Washington County developer, McGowan Properties has completed a number of development areas in the southerly portion of Washington County and continues to serve that evolving market. McGowan's Clearwater Creek development contains 20 lots of which two have been sold in 2006. McGowan's Millstone Estates has 18 lots sold and is served by Water Project No. 2. Other landowners have divided their ownership into parcels of 10.01 or more acres and some landowners have further subdivided tracts into smaller lots. It is the expectation of the District, and of County Officials that the development trend will continue.

Washington County Planning & Zoning reports the following permit and value of dwelling permits in the project area.

Calendar Year	Number of Dwelling Building Permits	Dollar Value of Dwelling Building Permits
2005	7	\$1,054,564
2004	16	2,476,605
2003	15	2,189,421
2002	10	1,568,493
2001	8	1,339,983

A portion of the project area lies within the permitting and zoning jurisdiction of Blair or Fort Calhoun. The applicable permit data under the jurisdiction of Blair and of Fort Calhoun, but within the project area follows:

Blair

Calendar Year	Number of Dwelling Building Permits	Dollar Value of Swelling Building Permits
2005		
2004		
2003		
2002		
2001		

Fort Calhoun

Calendar Year	Number of Dwelling Building Permits	Dollar Value of Swelling Building Permits
2005		
2004		
2003		
2002		
2001		

**ISSUANCE OF JUNIOR LIEN WATER PROJECT REVENUE BONDS
CONCURRENTLY WITH THE ISSUANCE OF THE \$3,400,000 SERIES 2006A BONDS**

The District is issuing its Junior Lien Water Project Revenue Bonds, Series 2006B, (the "Junior Lien Bonds") as a direct placement, concurrently with the issuance of the Districts \$3,400,000 Water Project Revenue Bonds, Series 2006A described in this Preliminary Official Statement. The Junior Lien Bonds are not reoffered and have been directly placed with the purchaser thereof. The Series 2006A Bonds are senior to the Junior Lien Bonds as to revenues and other sources of funds for payment, including the Debt Service Reserve Fund created under the Bond Resolution authorizing both the Series 2006A Bonds and the Junior Lien Bonds. Reference is made to Appendix D herein for a description of security for the Series 2006A Bonds and the Junior Lien Bonds. It is expected that the Junior Lien Bonds, if not fully paid or prepaid by their maturity date of June 10, 2011, are planned to be refunded by the District through the issuance of a replacement issue of Junior Lien bonds or retired through issuance of longer term bond on parity with the Series 2006A Bonds now being issued, in accordance with tests for additional bonds.

SOURCES AND USES OF BOND PROCEEDS

Sources:

Bond Principal Par Amount	\$3,400,000
Accrued Interest Received on 2006A Bonds	
Proceeds from Direct Purchase of Junior Lien Series 2006B Bond	1,150,000
Initial Payment from the City of Blair	291,952
Initial Payment from Washington County	25,942
Cash of the District Applied to Project Costs	<u>XXXXXXX</u>
	\$

Uses:

Deposited to Project Fund	\$
Costs of Issuance and Underwriting	
Costs of Issuance and Underwriting	
Deposit to Pay Part of Interest on Series 2006 Bond	<u>XXXXXX</u>
	\$

Projection of Users, Operating Revenues and Estimated Net Operating Income

The following Table projecting anticipated operating results has been developed and calculated based on the actual and estimated users expected to hook onto the Water System No. 2 over the life of the Bonds and beyond. The calculations are projected based on various factors beyond the control of the District. No guarantee is made that the operating results will be achieved. It is the expectation that as hookups are realized, the operating results may enable prepayment of bonds. In the event that operating projections are not achieved as projected, the District envisions a refinancing of the bond obligations to match actual operational results.

Papio-Missouri River Natural Resources District Washington County Rural Water Project No. 2 – 2006

Operating Projections

Based on Data and analysis of the Papio-Missouri River NRD as to users, rates and expenses.
Figures are estimated – results are not guaranteed and may vary from projections.

TABLE A VII

(a) (06/30) Fiscal Year	(b)		(c)	(d)		(e)		(f)		(g)		(h)	(i)	(j)		(k)	(l)	(m)		(n)		(o)	(p)
		Total	Active Ave Mo Billing	Active User Income	No. of Inactive Users	Inactive Ave Mo Billing	Inactive User Income	Total Month Billing	Country Estates Billings	Total Mo/ or Annual Income	Less Operation & Maintenance	Gallons of Water Purch	Less Cost of Water	Net Oper		Add \$ of Net Add'l Hookups	Est Net Income + Hookups						
														Income	Income								
Feb-06	75	\$ 46.35	\$	3,245	195	\$ 14.75	\$ 2,950	6,195	750	\$ 6,945	\$ 2,000	1,060,000	\$ 890	\$ 4,054	\$	\$	4,054						
Mar-06	84	\$ 46.35	\$	3,476	187	\$ 14.75	\$ 2,876	6,353	750	7,103	2,000	1,100,000	924	\$ 4,179		800	4,979						
Apr-06	93	\$ 46.35	\$	3,893	179	\$ 14.75	\$ 2,758	6,652	750	7,402	2,000	1,172,000	984	\$ 4,417		800	5,217						
May-06	102	\$ 46.35	\$	4,311	171	\$ 14.75	\$ 2,640	6,951	750	7,701	2,000	1,244,000	1,045	\$ 4,656		800	5,456						
Jun-06	111	\$ 46.35	\$	4,728	163	\$ 14.75	\$ 2,522	7,250	750	8,000	2,000	1,316,000	1,105	\$ 4,895		800	5,695						
FY 2006 Sub										37,149	10,000	5,892,000	4,949	22,200		3,200	25,400						
Jul-06	120	\$ 46.35	\$	5,145	155	\$ 14.75	\$ 2,404	7,549	750	8,299	2,000	1,388,000	1,166	\$ 5,133		800	5,933						
Aug-06	129	\$ 46.35	\$	5,562	147	\$ 14.75	\$ 2,286	7,848	750	8,598	2,000	1,460,000	1,226	\$ 5,372		800	6,172						
Sep-06	138	\$ 46.35	\$	5,979	139	\$ 14.75	\$ 2,168	8,147	750	8,897	2,000	1,532,000	1,287	\$ 5,611		800	6,411						
Oct-06	146	\$ 46.35	\$	6,396	133	\$ 14.75	\$ 2,050	8,447	750	9,197	2,070	1,604,000	1,347	\$ 5,779		1,600	7,379						
Nov-06	153	\$ 46.35	\$	6,767	127	\$ 14.75	\$ 1,962	8,729	750	9,479	2,190	1,668,000	1,401	\$ 5,888		800	6,688						
Dec-06	156	\$ 46.35	\$	7,092	125	\$ 14.75	\$ 1,873	8,965	750	9,715	2,295	1,724,000	1,448	\$ 5,972		800	6,772						
Jan-07	159	\$ 46.35	\$	7,231	123	\$ 14.75	\$ 1,844	9,074	750	9,824	2,340	1,748,000	1,468	\$ 6,016		800	6,816						
Feb-07	162	\$ 46.35	\$	7,370	121	\$ 14.75	\$ 1,814	9,184	750	9,934	2,385	1,772,000	1,488	\$ 6,060		800	6,860						
Mar-07	165	\$ 46.35	\$	7,509	119	\$ 14.75	\$ 1,785	9,293	750	10,043	2,430	1,796,000	1,509	\$ 6,105		800	6,905						
Apr-07	170	\$ 46.35	\$	7,648	116	\$ 14.75	\$ 1,755	9,403	750	10,153	2,475	1,820,000	1,529	\$ 6,149		1,600	7,749						
May-07	174	\$ 46.35	\$	7,880	113	\$ 14.75	\$ 1,711	9,591	750	10,341	2,550	1,860,000	1,562	\$ 6,228		800	7,028						
Jun-07	178	\$ 46.35	\$	8,065	110	\$ 14.75	\$ 1,667	9,732	750	10,482	2,610	1,892,000	1,589	\$ 6,282		800	7,082						
FY 2007 Sub										114,962	27,345	20,264,000	17,022	70,595		11,200	81,795						

2008	198	\$ 46.35	\$ 99,004	102	\$ 14.75	\$ 19,470	118,474	9,000	127,474	32,040	23,088,000	19,394	76,040	9,600	85,640
2009	218	47.28	\$ 112,330	94	\$ 15.50	\$ 18,972	131,302	9,600	140,902	35,640	25,008,000	21,007	84,255	12,000	96,255
2010	238	48.22	\$ 126,150	86	\$ 15.50	\$ 17,484	143,634	9,600	153,234	39,240	26,928,000	22,620	91,375	12,000	103,375
2011	258	49.19	\$ 140,478	78	\$ 15.50	\$ 15,996	156,474	9,600	166,074	42,840	28,848,000	27,406	95,828	12,000	107,828
2012	278	50.17	\$ 155,329	70	\$ 15.50	\$ 14,508	169,837	9,600	179,437	46,440	30,768,000	29,230	103,767	12,000	115,767
2013	303	51.17	\$ 170,717	58	\$ 16.25	\$ 13,650	184,367	10,200	194,567	50,040	32,688,000	31,054	113,473	13,000	126,473
2014	328	52.20	\$ 189,791	46	\$ 16.25	\$ 11,310	201,101	10,200	211,301	54,540	35,088,000	33,334	123,427	13,000	136,427
2015	353	53.24	\$ 209,559	34	\$ 16.25	\$ 8,970	218,529	10,200	228,729	59,040	37,488,000	35,614	134,075	13,000	147,075
2016	380	54.31	\$ 230,042	22	\$ 16.25	\$ 6,630	236,672	10,200	246,872	63,540	39,888,000	37,894	145,438	15,000	160,438
2017	407	55.39	\$ 252,590	10	\$ 16.25	\$ 4,290	256,880	10,200	267,080	68,400	42,480,000	40,356	158,324	15,000	173,324
2018	430	56.50	\$ 275,948	2	\$ 17.00	\$ 2,040	277,988	10,800	288,788	73,260	45,072,000	42,818	172,710	18,000	190,710
2019	447	57.63	\$ 297,373		\$ 17.00	\$ 408	297,781	10,800	308,581	77,400	47,280,000	44,916	186,265	18,000	204,265
2020	462	58.78	\$ 315,312				315,312	10,800	326,112	80,460	48,912,000	46,466	199,186	18,000	217,186
2021	477	59.96	\$ 332,411				332,411	10,800	343,211	83,160	50,352,000	47,834	212,216	18,000	230,216
2022	492	61.16	\$ 350,067				350,067	10,800	360,867	85,860	51,792,000	49,202	225,805	18,000	243,805
2023	507	62.38	\$ 368,297				368,297	11,500	379,797	88,560	53,232,000	50,570	240,667	19,500	260,167
2024	522	63.63	\$ 387,117				387,117	11,500	398,617	91,260	54,672,000	51,938	255,418	19,500	274,918
2025	537	64.90	\$ 406,541				406,541	11,500	418,041	93,960	56,112,000	53,306	270,775	19,500	290,275
2026	552	66.20	\$ 426,588				426,588	11,500	438,088	96,660	57,552,000	54,674	286,753	19,500	306,253
2027	567	67.52	\$ 447,274				447,274	11,500	458,774	99,360	58,992,000	56,042	303,371	19,500	322,871
2028	582	68.87	\$ 468,616				468,616	12,200	480,816	102,060	60,432,000	57,410	321,346	22,500	343,846
2029	597	70.25	\$ 490,634				490,634	12,200	502,834	104,760	61,872,000	58,778	339,296	22,500	361,796
2030	612	71.66	\$ 513,345				513,345	12,200	525,545	107,460	63,312,000	60,146	357,938	22,500	380,438
2031	627	73.09	\$ 536,768				536,768	12,200	548,968	110,160	64,752,000	61,514	377,293	22,500	399,793
2032	642	74.55	\$ 560,922				560,922	12,200	573,122	112,860	66,192,000	62,882	397,380	22,500	419,880

Based upon the preceding page of projected operating income and adding contractual payment obligations of the City of Blair, and expected annual payments from Washington County, Nebraska, this table projects estimated cash flows and expectations of resulting debt service coverage. Contractual payments to the District by the City of Blair are collateralized by revenue bonds issued by the City of Blair and delivered to the District securing the City's payment obligation to the District. The bonds so issued and delivered are of parity with the City of Blair's other outstanding Combined Revenue Bonds and the City covenants in the ordinance authorizing its bonds to maintain a coverage of all outstanding parity bonds of 1.33 times annual debt service requirements. The payments by Washington County, while not collateralized are a contractual agreement under an inter-local agreement between the District, the City of Blair and Washington County.

TABLE B
Series 2006A Bonds Only

(a) (6/30) Fiscal Year	(b) Est Net Income + Hookups	(c)		(d)		(e)		(h) Total Available Funds	(i)		(j) Est Principal Interest	(k) Est Total Bond Payments	(l) Projected Coverage	(m) Est Annual Surplus	(n) Est Cumulative Surplus	(o) Debt Svc Reserve Fd	Funds Available for Bond Pre-pay
		City of Blair	Other Funds Sources Washington County	Capitalized Interest	Total												
Feb-06	\$ 4,054	-															
Mar-06	4,979																
Apr-06	5,217																
May-06	5,456	\$ 291,952	\$ 25,942	\$ 125,000													
Jun-06	5,695																
FY 2006 Sub	25,401	291,952	\$ 25,942	\$ 125,000	468,295									\$ 25,401	\$ 25,401	\$340,000	\$ 40,000
Jul-06	5,933																
Aug-06	6,172														25,401	340,000	340,000
Sep-06	6,411														25,401	340,000	340,000
Oct-06	7,379														25,401	340,000	340,000
Nov-06	6,688														25,401	340,000	340,000
Dec-06	6,772														25,401	340,000	340,000
Jan-07	6,816														25,401	340,000	340,000
Feb-07	6,860														25,401	340,000	340,000
Mar-07	6,905														25,401	340,000	340,000
Apr-07	7,749														25,401	340,000	340,000
May-07	7,028	399,828	\$ 25,942	125,000											25,401	340,000	340,000
Jun-07	7,082														25,401	340,000	340,000
												340,254					340,000

FY 2007 Sub	81,795	399,828	25,942	125,000	648,715	340,254	1,907	308,461	333,862	340,000	673,862
2008	85,640	388,734	\$ 25,942		532,324	370,543	1,437	161,781	495,643	340,000	835,643
2009	96,255	377,348	\$ 25,942		539,238	361,318	1,492	177,920	673,563	340,000	1,013,563
2010	103,375	365,670	\$ 25,942		543,131	351,980	1,543	191,151	864,715	340,000	1,204,715
2011	107,828	353,846	\$ 25,942		544,840	342,530	1,591	202,310	1,067,025	340,000	1,407,025
2012	115,767	341,875	\$ 25,942		550,418	347,968	1,582	202,450	1,269,474	340,000	1,609,474
2013	126,473	329,613	\$ 25,942		558,478	332,648	1,679	225,830	1,495,304	340,000	1,835,304
2014	136,427	317,206	\$ 25,942		566,752	332,425	1,705	234,327	1,729,631	340,000	2,069,631
2015	147,075	304,652	\$ 25,942		575,976	321,523	1,791	254,453	1,984,084	340,000	2,324,084
2016	160,438	-			270,832	205,375	1,319	65,457	2,049,541	340,000	2,389,541
2017	173,324				286,827	218,935	1,310	67,892	2,117,434	340,000	2,457,434
2018	190,710				307,438	231,495	1,328	75,943	2,193,377	340,000	2,533,377
2019	204,265				324,600	242,945	1,336	81,655	2,275,032	340,000	2,615,032
2020	217,186				341,400	233,345	1,463	108,055	2,383,087	340,000	2,723,087
2021	230,216				359,563	253,645	1,418	105,918	2,489,005	340,000	2,829,005
2022	243,805				378,183	262,375	1,441	115,808	2,604,813	340,000	2,944,813
2023	260,167				400,046	-	n/a	400,046	3,004,858	340,000	3,344,858
2024	274,918				433,799	-	n/a	433,799	3,438,657	340,000	3,778,657
2025	290,275				469,761	-	n/a	469,761	3,908,418	340,000	4,248,418
2026	306,253				508,053	-	n/a	508,053	4,416,471	340,000	4,756,471
2027	322,871				548,803	-	n/a	548,803	4,965,274	340,000	5,305,274
2028	343,846				595,847	-	n/a	595,847	5,561,121	340,000	5,901,121
2029	361,796				642,099	-	n/a	642,099	6,203,220	340,000	6,543,220
2030	380,438				691,241	-	n/a	691,241	6,894,461	340,000	7,234,461
2031	399,793				743,430	-	n/a	743,430	7,637,891	340,000	7,977,891
2032	419,880				798,830	-	n/a	798,830	8,436,721	340,000	8,776,721

THE PAPIO –MISSOURI RIVER NATURAL RESOURCES DISTRICT EXPERIENCE AND HISTORY IN THE OPERATION OF RURAL WATER SYSTEMS

The Washington County Rural Water System 2 is the fourth of the District's establishment of a rural water system. The District successfully created and operates rural water systems in Dakota County, Thurston County and Washington County Rural Water System No. 1. While none of these prior systems are related to the Washington County Rural Water System No. 2 and no revenues of these previously established systems are available for payments of the Washington County Rural Water System No. 2, such prior systems are noted here as a point of information and to illustrate the District's experience in its provision of high quality water to rural users and the operation and management of such systems.

Dakota County Rural Water Supply Project. This project delivers water to 720 rural households in Dakota County through 125 miles of pipeline in its distribution system. Treated water for the distribution system is purchased from Dakota City, Nebraska. The District has outstanding \$530,000 of its Water Revenue Refunding Bonds, Series 20003A attributable to the Dakota County System and payable from revenues of the System. Recent operating results find debt service coverage of 1.84 times for this district.

Thurston County Rural Water Supply Project. This project delivers water to 145 rural households in Thurston County in a area located between the communities of Pender, Nebraska and Walthill, Nebraska. Water is purchased from the City of Pender. There is no outstanding indebtedness on the Thurston County System.

Washington County Rural Water Supply Project No. 1. This project delivers high quality water to 440 rural users in a portion of eastern Washington County in a project area lying north of Omaha and south of the City of Fort Calhoun, Nebraska. Washington County Water Supply System No. 1 has bonded debt of \$270,000 issued by the District with recent coverage of debt service calculated at 2.2 times annually. In addition to the rural area served, the pipeline system delivers water to the City of Fort Calhoun (population 856) at wholesale and the City of Fort Calhoun delivers water through the City's storage and distribution system fully operated and maintained by the City of Fort Calhoun. Water Supply System No. 1 receives its water at wholesale under contract with the Metropolitan Utilities District of Omaha, Nebraska ("MUD"). A major third supply, treatment and storage system is being constructed by MUD at a cost of approximately \$352 Million. MUD's system will be capable of delivery of a peak of 100 million added gallons of water daily. An interconnection is being constructed at the west edge of the City of Fort Calhoun to enable emergency delivery of water to the new Washington County Rural Water Project No. 2 to serve its need and to deliver water to the City of Blair in the event of an emergency or other loss of supply from the Blair supply and treatment facilities.

Washington County Rural Water Supply System No. 1 is located immediately east of the Washington County Rural Water Project No. 2 now being funded by this current issue of Bonds. There is no financial relationship between Washington County Water Supply System No. 1 and the new Washington County Rural Water Project No. 2. Both however are projects under the full ownership management, control, maintenance and operations of the Papio-Missouri River Natural Resources District. Given the agreements and arrangements between the City of Blair, the City of Fort Calhoun, Washington County, Metropolitan Utilities District and the NRD, these projects located in immediately adjacent areas, demonstrate the level of local cooperation and common interest in the direction of rural development in this general area just north of the greater Omaha metropolitan area.

The character and development nature of Washington County Rural Water Supply System No. 1 is parallel to the character, terrain, usage and development nature of the District's current project of Washington County Rural Water Project No. 2.

NEBRASKA DEVELOPMENTS RELATED TO TAXATION

Although the bonds of this issue are revenue bonds payable from the revenues of the NRDs following is provided as a point of information only as to the NRDs general operations and sources of revenues.

The Nebraska Legislature has recently enacted legislation intended to reduce the level of property taxation and political subdivision expenditures in the State. The legislature has enacted legislation to provide for budget limitations and legislation requiring reductions in the rate of taxation for general property taxes. Budget limitations relating to counties, cities and villages (Sections 13-518 to 13-522, R.R.S. Neb. 1997, as amended, and related sections, the "Budget Limitations") limit the growth in amounts which may be budgeted with respect to certain restricted funds. Restricted funds include property taxes (excluding any amounts required to pay interest and principal on bonded indebtedness), payments in lieu of taxes, local option sales taxes, permit and regulatory fees, state aid and fees from enterprise funds to the extent budgeted for general purposes rather than the enterprise function. The limitation imposed does not apply to certain capital improvements or revenues pledged to retire bonded indebtedness or certain lease-purchase obligations. The Budget Limitations currently provide for a base limitation on increases of 2.5%. Such base limitation is subject to review by the Nebraska Legislature from year to year. The base limitation may be exceeded by an additional 1% upon an affirmative vote of at least 75% of the governing body. These limitations are to be enforced through the office of the Auditor of Public Accounts of the State of Nebraska and state aid may be withheld from governmental units which fail to comply.

Tax levy limitations (Section 77-3442, R.R.S. Neb. 1996, as amended, and related sections, the "Levy Limitations") provide for an overall limitation on the tax levies of counties, cities and villages. The Levy Limitations provide for an express exclusion from the limitations for property tax levies for bonded indebtedness and for certain lease-purchase obligations incurred prior to July 1, 1998.

Taxes to pay principal and interest on the District's bonds are not subject either to Budget Limitations. The Budget Limitations do not apply to the District's proprietary funds such as the water funds related to the Project to the extent that such funds are supported by user charges.

Under the Levy Limitations the rates for levying property taxes have been reduced for various types of governmental unit in the State of Nebraska.

The future methods for providing for financing cities, schools and other local governmental units may be altered depending upon future initiatives by the voters of the State, future actions to be taken by the Nebraska Legislature and further decisions of the Nebraska Supreme Court.

TAX EXEMPTION

Under the Internal Revenue Code of 1986, as amended (the "Code"), the Bonds will be exempt from federal income taxes, as to taxpayers generally. Certain features and consequences of such exemption are described in the following paragraphs.

1) The Bonds are not Private Activity Bonds. The Bonds are being issued for essential governmental purposes of the NRD and will not be "private activity bonds" as described in the Code. In connection with the issuance of the Bonds, the NRD will certify that none of the proceeds of the Bonds will be used to acquire property for which any person will be a user other than as a member of the general public under the terms of the Code. The NRD will also certify that none of the proceeds of the Bonds will be used to make or finance loans to any person. Because the Bonds will not be "private activity bonds," as described in the code, they will not be subject to the alternative minimum tax for individuals or corporations. For corporations, however, the Bonds, like all other tax exempt bonds, will be subject to the additional minimum tax on "adjusted current earnings," which is referred to below.

2) The Bonds will not be Arbitrage Bonds under the Terms of the Code. In connection with the issuance of the Bonds, the NRD will certify certain of its expectations and anticipations with respect to the Bonds. Among other things, the NRD will certify that it does not anticipate issuance in the calendar year in which the Bonds are issued of bonds, notes or other tax exempt obligations in an amount in excess of \$5 million. Because of such expectations, the Bonds are not expected to be subject to the rebate requirements as described in the Code. Under

certain circumstances, failure to pay rebates on a timely basis can result in a retroactive loss of tax exempt status for bonds of NRDs who expect to issue bonds in an amount in excess of \$5 million in the calendar year of their issuance. Although the Code provides that the determination of whether or not a bond is an arbitrage bond is to be based upon reasonable expectations at the time of issuance, it also contains language which indicates that a bond is to be treated as an arbitrage bond "if the NRD intentionally uses any portion of the proceeds of the issue" to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire such higher yielding investments. The Resolution authorizing the issuance of the Bonds will include a covenant on the part of the NRD not to take any action which would cause the Bonds to be arbitrage bonds within the meaning of Sections 103 and 148 of the Code.

3) Tax Consequences for Tax Exempt Interest Income Under Certain Other Provisions of Federal Tax Laws. Under the Code while interest on the Bonds is exempt as to taxpayers generally, such income may be taken into consideration for purposes of computing certain other taxes imposed. Investors with social security or railroad retirement income may have a tax imposed upon such social security or railroad retirement income depending upon whether or not they have received tax-exempt income such as interest on the Bonds. Corporations subject to the additional minimum tax on "adjusted current earnings" will be required to pay taxes on a portion of the interest income which is attributable to the Bonds. Such corporate income may also be subject to additional tax such as the environmental tax imposed by Section 59A of the Code (currently no longer in effect). Casualty and insurance companies will be required to take into consideration tax-exempt interest income in determining losses for certain purposes. Foreign corporations may be required to take into account interest on the Bonds in computing the branch profits tax under Section 884 of the Code. Certain S Corporations may also be required to take interest on the Bonds into consideration for certain federal income tax purposes. Taxpayers with social security income or railroad retirement income, corporations subject to the additional minimum tax on "adjusted current earnings," casualty and insurance companies, foreign corporations and S Corporations should consult with their own tax advisors concerning the consequences of investment in the Bonds.

4) Interest Deduction for Financial Institutions. Under the Code, financial institutions are generally subject to a 100 percent disallowance of interest expense for interest which is attributable to carrying tax exempt obligations acquired after August 7, 1986. There is, however, under the Code, a permanent exception provided for certain bonds acquired from certain small NRD's. Such exception applies if the following conditions are met:

1. The obligations must not be "private activity bonds."
2. The obligations must be issued by an NRD which reasonably anticipates that it will not issue more than \$10 million of tax exempt obligations during the calendar year in which the obligations are issued.
3. The NRD must designate the obligations as its "qualified tax exempt obligations."

In connection with the issuance of the Bonds, the NRD will certify and warrant that it does not anticipate issuing more than \$10 million of tax exempt obligations during the current calendar year. The Resolution authorizing the issuance of the Bonds designates the Bonds as the NRD's "qualified tax exempt obligations" as described in the Code. The Bonds will not be private activity bonds, as discussed above. Financial institutions considering investing in the Bonds should, however, consult with their own tax advisors concerning the potential consequences of investing in the Bonds.

Baird Holm, LLP will render their opinion that interest on the 2006 Bonds is not subject to Federal Income Taxes as to taxpayers generally. Said Counsel will also opine as to the exemption of interest from Nebraska state income taxes, except to the extent that such interest may be subject to Federal income taxes.

NO DEFAULTED BONDS

The District has never failed to pay principal and interest when due on any of its bonds or notes.

UNDERWRITING

D.A. Davidson & Co., the Underwriter of the Series 2006A Bonds, has agreed, subject to certain conditions, to purchase all of the Series 2006A Bonds from the District at an aggregate price of \$ _____ plus accrued interest, if any, and to make a public offering of the Series 2006A Bonds. The Underwriters have advised the NRD that the Series 2006A Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2006A Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the cover of this Official Statement and that such public offering prices may be changed from time to time.

Although the Underwriters expect to maintain a secondary market in the Series 2006A Bonds after the initial offering, no guarantee can be given concerning the future existence of such a secondary market or its maintenance by the Underwriters or others.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the registered owners of the Bonds to provide certain financial information and operating data relating the District by not later than the end of the seventh month following the close of each fiscal year, beginning with the fiscal year closing June 30, 2005 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the District to be material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in Appendix C. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). See **APPENDIX C—Form of Continuing Disclosure Undertaking**.

The District has not failed to comply with any prior such undertaking under the Rule. A failure by the District to comply with the Undertaking will not constitute an event of default with respect to the Bonds, although any holder will have any available remedy at law or in equity, including seeking specific performance by court order, to cause the District to comply with its obligations under the Undertaking. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FINANCIAL STATEMENTS

The financial statements of the District included in Appendix B to this Official Statement have been examined by Bland & Associates, C.P.A.'s, Omaha, Nebraska, independent certified public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

CERTIFICATE OF NO LITIGATION

A no-litigation certificate, dated the date of closing, will be provided stating, among other things, that there is no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, which is pending or threatened, challenging the creation, organization or existence of the District; or the titles of its officers to their respective offices; or which, if decided adversely to the interests of the District, would have a material adverse effect on the operations or financial condition of the District; or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2006A Bonds; or affecting the pledge and application of the District's full faith and credit pursuant to the Resolution; or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2006A Bonds are issued; or the validity of the Series 2006A Bonds or the issuance thereof.

APPROVAL OF LEGAL PROCEEDINGS

All of the legal proceedings had in connection with the authorization and issuance of the Bonds are subject to the approving opinion of Baird Holm LLP, Omaha, Nebraska, Bond Counsel.

RATING

The NRD has not applied for a rating on its general obligation bonds or notes. No rating has been applied for by the NRD for this issue of Water Project Revenue Bonds, Series 2006A, Washington County Rural Water Project No. 2 or any of its previously issued notes or bonds.

MISCELLANEOUS

Any description which may be included in this Official Statement of the terms of the Bonds and the Resolution authorizing the Bonds, do not purport to be complete and any such description and references thereto are qualified in their entirety by reference to each such document, copies of which may be obtained from the NRD or the Underwriters of the Bonds.

The information contained in this Official Statement has been compiled or prepared from information obtained from the NRD and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

DISTRICT

PAPIO-MISSOURI RIVER NATURAL RESOURCES

By: /s/
Title: Acting General Manager

DATED: _____, 2006

APPENDIX A

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT-GENERAL INFORMATION

APPENDIX A

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT-GENERAL INFORMATION

And

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT WATER SYSTEM NO. 2

History of Nebraska's Natural Resources Districts

Nebraska's Natural Resources Districts were created by the Nebraska Legislature and began serving the people of the state in 1972. The legislature combined 154 special purpose resources management entities, including county soil and water conservation districts, drainage districts and watershed boards into 24 NRDs. In 1989, this number was reduced to 23 NRDs through a merger of the Papio NRD and the Middle Missouri Tributaries NRD. These districts are unique to Nebraska. No other state has a system for managing its natural resources identical to Nebraska's NRDs.

NRDs are local government units with broad responsibilities to protect and enhance Nebraska's natural resources. Major Nebraska river basins form the boundaries enabling the NRDs to respond best to local needs.

Elected boards govern districts. Much of the funding for resources management programs and projects come from property taxes amounting to approximately one percent of property taxes collected in the area served by Papio-Missouri River Natural Resources District.

Partnerships built between NRDs and other resources management agencies - both state and federal - have strengthened the overall conservation effort. Nebraska's Natural Resources Commission, Game and Parks Commission and Departments of Water Resources and Environmental Quality work closely with natural resources districts. The Federal Government partners often include the USDA's Natural Resources Conservation Service and Farm Services Agency. Others such as the US Army Corps of Engineers, Environmental Protection Agency, Fish and Wildlife Service and National Park Service also join NRDs to effectively address local needs.

Description Of The District

Located in eastern Nebraska, the Papio-Missouri River Natural Resources District consists of all of Washington, Douglas, Sarpy, and Dakota Counties, the eastern two-thirds of Burt and Thurston Counties, and a small portion of southeastern Dodge County. The District is bounded on the east by the Missouri River, and by the Platte River on the south and a portion of the West. Three major river basins (Missouri, Platte, and Elkhorn) are represented.

Board of Directors

The District is governed by an elected Board of Directors. There are currently 11 members on the Board representing 11 subdistricts, which subdistricts are population based.

Current Board Members are:

Rich Jansen, Chairperson Subdistrict 10
James Thompson, Vice Chairperson Subdistrict 6
Richard Tesar, Secretary Subdistrict 5
John Conley, Treasurer Subdistrict 4
Fred Conley Subdistrict 2
Richard Connealy Subdistrict 1
Tim Fowler Subdistrict 8
Rich Kolowski Subdistrict 9
Dorothy Lanphier Subdistrict 7
Joseph Neary Subdistrict 3
Jon Schwope Subdistrict 11

Funding

Annually, the Board of Directors of the Papio-Missouri River NRD reviews all NRD program and project activities and determines a budget necessary to carry out our mission. NRDs in Nebraska possess limited taxing authority amounting to approximately one percent of property taxes collected within the NRD area.

FY 2006/2007 Budget Information

At its August 11, 2005 meeting, the Papio-Missouri River Natural Resources District Board approved a proposed FY 2006 General Operating Budget. As required by law, a portion of the board meeting was devoted to a public hearing on the budget.

The Fiscal Year 2006 Budget calls for a property tax levy of .039094. The FY 2005 levy was .040620. The .039094 levy would mean that the owner of property valued at \$100,000 would pay a total of \$39.09 in property taxes this year to support various NRD projects and programs compared to \$40.62 last year.

The draft budget calls for total estimated expenditures of \$31.12 million, compared to \$31.78 million in FY 2005. Of this amount, an estimated \$15.73 million in revenue would come from property taxes. The remainder of revenue will be received through State of Nebraska and federal funding for projects, and special assessments.

Historical Valuations of the Counties Located in the District

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Washington	\$1,514,051,147	\$1,579,855,556	\$1,444,490,883	\$1,347,333,520	\$1,242,010,922
Douglas	\$29,199,416,920	\$26,658,670,840	\$25,515,035,475	\$24,396,902,470	\$22,293,775,935
Sarpy	\$8,105,260,699	\$7,262,349,503	\$6,693,775,606	\$6,211,567,033	\$5,693,368,879
Dakota	\$966,528,496	\$934,626,079	\$873,712,331	\$811,772,047	\$807,960,404
Burt	\$326,936,497	\$311,692,972	\$287,184,357	\$284,241,972	\$283,531,609
Thurston	\$129,550,374	\$	\$119,891,424	\$119,296,246	\$106,175,182
Dodge	\$2,088,143	\$2,014,771	\$2,129,043	\$1,740,672	\$1,704,494

Area, Taxable Area, Population and Taxable Valuation of Papio-Missouri River NRD

<u>County</u>	<u>Square Miles</u>	<u>Taxable Area</u>	<u>Population</u>	<u>Valuation Distribution</u>	<u>Taxable Valuation</u>
Douglas	333	100.00%	482,112	%	\$
Sarpy	238	100.00%	135,973	%	\$8,105,260,699
Washington	386	100.00%	19,605	%	\$1,541,051,147
Dodge	6	.13%		%	\$
Burt	292	52.00%		%	\$
Thurston	235	43.90%		%	\$
Dakota	<u>258</u>	100.00%	<u>20,612</u>	<u>%</u>	<u>\$966,528,496</u>
Total	1,748		20,612	100.00%	\$966,528,496

GENERAL INFORMATION ABOUT THE CITY OF OMAHA

The following information about Omaha, Nebraska is included because the NRD includes all of the City of Omaha and its metropolitan environs. However, Washington County Rural Water Project No. 2 does not serve any portion of the territory included in the corporate limits of the City of Omaha.

Further, the Metropolitan Utilities District of the Omaha is the emergency back-up provider of water to the Washington County Rural Water Project No. 2 and is the emergency back-up provider of water to the City of Blair, Nebraska.

The Bonds are not a debt of, nor are they payable by, the City of Omaha.

Location and General Background

Omaha, founded in 1854, is the largest city in the State of Nebraska. Omaha is the hub of a vast transportation network leading to all parts of the nation and thus offers significant advantages to business and industry competing in regional and national markets. This fact is substantiated by the growth of population, employment and income during recent years.

Area and Population

The U.S. Census Bureau reports that at the end of 2003 the population of the eight-county Omaha Metropolitan Statistical Area ("MSA"), comprising five Nebraska counties and three Iowa counties, numbered 784,463, with over 1.1 million within a 50-minute drive. At the end of 2004, the populations of the MSA and the City were 801,189 and 404,274, respectively.

Transportation

Nearly 3.9 million passengers, over 144 million pounds of cargo and over 58 million pounds of mail passed through Eppley Airfield, Omaha's principal airport, in 2004. In the last decade, Eppley Airfield has made over \$110 million in investments in terminal, apron, cargo area and runway expansions. Eppley Airfield offers 180 flights per day and is serviced by eight national air carriers, 12 regional airlines, eight airfreight carriers and two full-service general aviation facilities. A total of 161 general aviation aircraft, including 30 executive jets, are based at Eppley Airfield. There are 90 nonstop flights out of Eppley Airfield daily.

Omaha is general headquarters for the Union Pacific Railroad. Two other mainline railroads and a terminal railway combine to make Omaha an important rail center.

Two interstate highways (Interstate 80 and Interstate 29), five federal highways and seven state highways provide fast all-weather routes within Nebraska and to and from the rest of the nation. In addition, Interstate 480 (downtown spur) and Interstate 680 (circumferential route) provide quick access to all parts of the metropolitan area.

More than 85 motor common carriers haul freight to and from Omaha and all parts of the nation, making Omaha a major Midwestern trucking center. Greyhound Bus Lines furnishes Omaha with transcontinental passenger service. Several smaller bus lines operate between Omaha and points in Iowa and Nebraska.

Utility Services

Residential, commercial and industrial electric service rates in Omaha historically have been below the national averages, according to reports of the Edison Electric Institute in its Statistical Yearbook of the Electrical Utility Industry. In addition to low rates, the Omaha Public Power District, a Nebraska political subdivision, assures its customers ample power with a net generating capability of 2,227,100 kW.

The Metropolitan Utilities District of Omaha (the "District"), distributes natural gas and water in the Omaha area. Rates compare favorably with those prevailing in other metropolitan areas in the nation. Omaha has a plentiful water supply (Missouri River and Platte River wells) and a water system designed to the standards of the National Board of Fire Underwriters, with a current capacity of 234 million gallons a day. See "THE DISTRICT" and "THE WATER SYSTEM" in the Official Statement. The District's supply of natural gas is purchased from 15 to 20

different natural gas suppliers. The natural gas comes from Texas, Oklahoma, Kansas, the Rockies and Canada. All of the natural gas purchased by the District is transported to the City of Omaha by Northern Natural Gas Pipeline Company. The District also has one LNG Plant and two Propane/Air plants which can produce 120,000 [Dth/day] in total, which account for 40% of the District gas supplies on a peak winter day. There have been no interruptions of natural gas service to firm commercial and residential customers and no interruptions are expected in the foreseeable future. The District continues to add new natural gas customers.

Education

Omaha is an important educational center and is the location of Creighton University, the University of Nebraska at Omaha and the University of Nebraska Medical Center. These institutions, together with three additional colleges located in Omaha, offer educational programs at the graduate and undergraduate levels, in law, and in the health professions: medicine, dentistry, nursing and pharmacy.

Public elementary and secondary education is provided by four local school districts: School District of Omaha, Douglas County School District No. 66, School District of Millard and School District of Ralston. The School District of Omaha has the largest enrollment of pupils residing within the City. The City is also served by a number of private and parochial schools at both the elementary and secondary levels.

Military

The United States Strategic Command ("USSTRATCOM") is headquartered at Offutt Air Force Base, just south of Omaha. USSTRATCOM has been assigned planning and targeting responsibility for the nation's strategic nuclear weapons.

Economy

From an economy founded on the livestock industry in the late nineteenth century, Omaha is a major grain exchange market in the United States. Food processing is also an important part of the economy and is represented by such companies as ConAgra Foods, Inc., Kellogg Company and Omaha Steaks International.

The geographic centrality of Omaha in the United States has encouraged commercial development, and the City is home to four Fortune 500 companies, which represent a diverse array of industries: Berkshire Hathaway, ConAgra, Mutual of Omaha and Union Pacific Corp. The City's economy continues to diversify, although it still remains agriculturally oriented. The Omaha MSA contains more than 860 manufacturing plants, including plants operated by Lozier Corporation and Valmont Industries Inc. In the early 1980s, Omaha began developing as a major participant in the reservation and direct-response center industry. Currently, there are 42 such firms located within the City. In total they employ a labor force in excess of 20,000. Major employers in this group include First Data Resources, Hyatt Reservations, Dial America Marketing Services, Marriott Reservations, Sitel Corporation and West Corporation. Omaha is the home of Peter Kiewit Sons', Inc., one of the largest construction and mining organizations in North America, Ameritrade, a major discount stock brokerage firm, and 21 insurance companies (with over 50 employees each), including Mutual of Omaha, the world's largest mutual health and accident company, and Woodmen of the World Life Insurance Society, the largest fraternal life insurance company. The district offices of the Farm Credit System for Nebraska, Iowa, South Dakota and Wyoming are headquartered in Omaha.

The City is economically attractive to potential residents. The cost of living in the City in 2004 across all categories was 90.9% of the national average. Omaha MSA residents enjoy a median effective buying income of \$41,056, compared to the national median of \$40,824. The 2004 estimated average unemployment rate for the Omaha MSA was 4.3%, compared with 5.5% for the United States.

**CITY OF OMAHA—
SELECTED ECONOMIC INDICATORS**

Omaha MSA Population and Employment

	Population¹	Employment²
1950	366,395	163,050
1960	457,873	188,950
1970	542,646	214,650
1980	569,614	261,532
1990	618,262	331,953
1991	624,200	326,360
1992	634,900	333,887
1993	656,434	335,540
1994	662,801	368,772
1995	670,322	357,190
1996	686,400	384,589
1997	687,454	398,269
1998	691,100	404,012
1999	697,400	415,486
2000	716,998	424,400
2001	723,210	424,150
2002	734,270	430,667
2003	784,463*	431,035**
2004	801,189*	446,000

¹Source: Omaha Chamber of Commerce

²Estimated annual averages based on Employment by Place of Work, from Reports of Nebraska Department of Labor, Division of Employment Research and Statistics.

*Population total for the new eight county MSA

**Employment figures are for the previous five-county metropolitan statistical area.

Largest Employers—City of Omaha
March 2005

Employer	Number of Employees
Offutt Air Force Base, 55 th Wing/CC*	10,500
Alegent Health	7,000
Omaha Public Schools	7,000
First Data Corp.	6,300
Mutual of Omaha Companies	5,000
First National Bank of Omaha	4,650
The Nebraska Medical Center	4,500
Union Pacific Railroad	4,500
Methodist Health System	4,000
West Corporation	4,000
ConAgra Foods, Inc.	3,875
City of Omaha	3,400
Hy-Vee Food Stores	3,000
Oriental Trading Company	3,000
Kroger Co. (Baker's Supermarkets)	2,500

Creighton University	2,500
Millard Public Schools	2,488
Omaha Public Power District	2,350
U.S. Postal Service – Omaha	2,209
Qwest Communications	2,000

*Located in Sarpy County (immediately south of Omaha)

Source: Greater Omaha Chamber of Commerce and *Midlands Business Journal* (Ranked by Number of Omaha Employees)

Omaha MSA (Eight Counties) Nonagricultural Wage and Salary Employment

	Average for 2004		Average for 2005 (first six months)	
	Number	% of Total	Number	% of Total
Construction and Mining	25,500	5.7%	25,400	5.6%
Manufacturing	32,900	7.4	32,800	7.3
Trade, Transportation and Utilities	98,100	22.0	99,600	22.1
Information	13,500	3.0	13,300	3.0
Finance, Insurance and Real Estate	37,200	8.3	37,100	8.2
Professional and Business Services	60,800	13.6	60,900	13.5
Education and Health Services	62,300	14.0	63,000	14.0
Leisure and Hospitality	40,500	9.1	41,500	9.2
Other Services	16,300	3.7	16,400	3.6
Government	<u>58,900</u>	<u>13.2</u>	<u>60,000</u>	<u>13.3</u>
Total Nonfarm Employment	446,000	100.0%	450,000	100.0%

Source: Reports of Nebraska Department of Labor, Division of Employment and Research Statistics.

Omaha MSA Effective Buying Income*

Year	Total (000)	Per Household
1950	\$ 558,006	\$ 4,978
1960	966,698	6,856
1970	1,956,095	11,734
1980	4,991,836	21,524
1990	9,527,248	31,166
1995	11,813,171	38,825
1996	12,672,246	39,389
1997	13,547,027	41,365
1998	14,172,379	44,053
1999	14,990,549	46,575
2000	15,910,949	49,098
2001	14,202,201	41,216
2002	14,145,516	40,430
2003	15,125,073	39,934
2004	15,825,609	41,056

*Effective Buying Income: personal income (wages, salaries, interest, dividends, profits and property income) minus federal, state and local taxes.

Source: Annual surveys of buying power, *Sales and Marketing Management*.

Retail Sales—Douglas County

Year	Retail Sales (000)
1980	\$ 1,873,004
1990	3,717,333
1991	3,567,814
1992	4,266,146
1993	4,739,758
1994	5,058,311
1995	5,248,178
1996	5,203,261
1997	5,558,533
1998	6,005,705
1999	7,464,680
2000	7,574,648
2001	7,467,307
2002	7,861,940
2003	8,157,436
2004	9,875,660

Source: Sales and Marketing Management Annual Survey of Buying Power.

Value of Building Permits—City of Omaha

Year	Amount	Year	Amount
1950	\$ 24,105,401	1996	\$ 390,089,095
1960	46,927,523	1997	424,300,411
1970	61,626,242	1998	500,990,660
1980	136,736,312	1999	544,871,316
1990	318,473,517	2000	473,849,942
1991	286,025,269	2001	1,558,867,305
1992	284,328,785	2002	701,502,687
1993	301,972,761	2003	633,542,187
1994	313,879,897	2004	623,481,197
1995	305,036,452	2005	511,712,676
		(through September)	

Source: Department of Permits and Inspections, City of Omaha.

GENERAL INFORMATION ABOUT THE CITY OF BLAIR, NEBRASKA

The following information about Blair, Nebraska is included because Water Project No. 2 serves the area immediately adjacent to the south corporate limits of the City of Blair. The City of Blair is also the supplier of water to the Project and the P-MR NRD Water Project No. 2. Further Blair, as a condition of its contract with the NRD, will acquire the elevated water storage reservoir through a 10 installment series of payments to the NRD and noted earlier in his preliminary Official Statement.

The Bonds are not a debt of, nor are they payable by, the City of Blair.

Location and General Background

Area and Population

Transportation

Utility Services

Education

Economy

APPENDIX B

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT-FINANCIAL INFORMATION

PART ONE

Selected Papio-Missouri River Natural Resources District Financial Information

PART TWO

Independent Auditors' Report and Combined Financial Statements

APPENDIX B

FINANCIAL INFORMATION PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT (As of May 15, 2006)

Taxable Valuation, 2001 \$

General Obligation Debt None

Revenue Debt

The District has outstanding the following revenue bonds:

Dakota County Revenue Water Supply Project	\$530,000
Washington County Rural Water Supply Project No. 1	\$270,000
Washington County Rural Water Supply Project No. 2	
This Series 2006A Bonds	\$3,400,000
Series 2006B bonds (concurrent with the 2006A Bonds)	\$1,150,000

Environmental Regulations

Ten Year Assessed Value History

1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004

History of Levies – Papio-Missouri River Natural Resources District

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Total Levy</u>
1986		
1987		
1988		
1989		
1990		
1991		
1992		
1993		
1994		
1995		
1996		
1997		

SCHEDULE OF BONDED DEBT
AND ANNUAL BONDED DEBT REDUCTION

<u>Schedule of FY</u> <u>Ending 6-30</u>	<u>Series 2006 Bonds,</u> <u>Annual Principal</u> <u>Reduction</u>	<u>Junior Lien Series Bonds,</u> <u>Annual Principal</u> <u>Reduction</u>	<u>Outstanding Water Project</u> <u>Revenue Bonds</u>
Beginning Balance 5-15-06			\$4,550,000
2007	\$175,000		4,375,000
2008	225,000		4,150,000
2009	225,000		3,925,000
2010	225,000		3,700,000
2011	225,000	\$1,150,000	2,325,000
2012	240,000		2,085,000
2013	235,000		1,850,000
2014	245,000		1,605,000
2015	245,000		1,360,000
2016	140,000		1,220,000
2017	160,000		1,060,000
2018	180,000		880,000
2019	200,000		680,000
2020	200,000		480,000
2021	230,000		250,000
2022	250,000		-0-

APPENDIX B

PART TWO

Independent Auditors' Report and Combined Financial Statements

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the NRD has agreed in the Resolution that it will provide the following continuing disclosure information:

(1) to D.A. Davidson & Co. (the "Underwriter") and any person making request at least annually or in the alternative to any state information depository ("SID") for the State of Nebraska (no such SID currently exists or is presently expected to exist based upon any current pending legislation, the following financial information or operating data regarding the NRD:

(a) the general financial and operating information shown under the heading "FINANCIAL INFORMATION" in the Official Statement for the Bonds

(b) any additional financial information and operating data which customarily is prepared, including the NRD's most recently prepared audited financial statements, which shall be prepared for governmental and fiduciary fund types on the basis of generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States demonstrating compliance with the modified accrual basis and for proprietary funds on the accrual basis, both in accordance with current generally accepted accounting principles.

(2) in a timely manner to the Underwriter, to the Municipal Securities Rule Making Board (the "MSRB"), to the SID (if any) and to any nationally recognized municipal securities information repository for which the Underwriter makes request, notice of the occurrence of any of the following events with respect to the Bonds, if in the judgement of the NRD, such event is material:

principal and interest payment delinquencies,
nonpayment related defaults,
unscheduled draws on debt service reserves reflecting financial difficulties,
unscheduled draws on credit enhancements reflecting financial difficulties,
substitution of credit or liquidity providers, or their failure to perform,
adverse tax opinions or events affecting the tax-exempt status of the Bonds,
modifications to rights of the bondholders,
bond calls,
defeasances,
release, substitution, or sale of property securing repayment of the Bonds, and
rating changes.

The NRD does not undertake to provide notice of the occurrence of any other material event, except the events listed above.

The NRD reserves the right to modify the type of information or the format for any such information provided pursuant to such undertaking, to the extent necessary or appropriate in the judgement of the NRD, so long as any such modification is consistent with the requirements of the Rule. The undertakings of the NRD in the Resolution relating to continuing disclosure are declared to be for the benefit of the registered owners of the Bonds (including beneficial owners of the Bonds held in nominee name, each a "Beneficial Owner") and such covenants may be enforced by the registered owner of any of the Bonds or by any Beneficial Owner of the Bonds, provided that the any right to enforcement shall be limited to specific enforcement of such covenants and any failure shall not constitute an event of default under this Resolution. The NRD has designated its General Manager as the contact

APPENDIX D
BOND RESOLUTION

APPENDIX E

Interlocal Agreement Between
Papio-Missouri River Natural Resources District
City of Blair, Nebraska
County of Washington, Nebraska

APPENDIX F

Long Range Implementation Plan, Fiscal Year 2006



A new water tower for
Blair and the NRE's West-
Ington County Rural Water System
#2 graces the sky south of Blair

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
WATER REVENUE BONDS, SERIES 2006 -- (SENIOR 2006 BONDS)
WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

=====

Sources and Uses of Funds

=====

Delivery Date: 5/26/ 6

Sources of Funds

=====

Par Amount of Bonds.....	\$3,400,000.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		3,400,000.00
Accrued Interest.....		4,661.02
Initial Cash Payment -- City of Blair.....		291,951.52
Initial Cash Payment, Washington County.....		25,942.00
Other P-MR NRD Funds Applied		
Subordinate Series Bonds, Direct Placed.....		1,150,000.00

		\$4,872,554.54

Uses of Funds

=====

Loan Balance, Wells Fargo, 2/14/06.....	3,892,000.00	
Legal Opinion + Issuance Costs (EST).....	7,500.00	
Sales, Marketing, and Underwriting.....	46,850.00	
Interest Due 3/1/06 to Wells Fargo.....	18,000.00	
Est Added Interest on Wells Fargo Loan.....	45,000.00	
Pump Station Modification Contract.....	135,000.00	
Vault, Meter Pit Mod, Scada Telemetry.....	260,000.00	
Accrued Interest.....	4,661.02	
Capitalized Interest.....	125,002.84	
Debt Service Reserve.....	340,000.00	
Contingency.....	-1,459.32	

		\$4,872,554.54

D.A. Davidson & Co., Phil Lorenzen, 402-392-7902, plorenzen@dadco.com

Micro-Muni Sizing Date: 05-04-2006 @ 11:33:00 Filename: P-MRNRD Key: WTRREVSR2006AHD

 **D.A. Davidson & Co.**
Philip A. Lorenzen
Vice President, Public Finance
10250 Regency Circle, Suite 500
Omaha, NE 68114
(402) 392-7902 / 1-800-617-2864

Note: These calculations are preliminary only. They are not a bid and are subject to change based on interest rates and market conditions.

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
WATER REVENUE BONDS, SERIES 2006 -- (SENIOR 2006 BONDS)
WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

=====

Debt Service Schedule

=====

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
12/15/ 6			88,983.13	88,983.13	
6/15/ 7	175,000.00	4.000000	76,271.25	251,271.25	340,254.38
12/15/ 7			72,771.25	72,771.25	
6/15/ 8	225,000.00	4.100000	72,771.25	297,771.25	370,542.50
12/15/ 8			68,158.75	68,158.75	
6/15/ 9	225,000.00	4.150000	68,158.75	293,158.75	361,317.50
12/15/ 9			63,490.00	63,490.00	
6/15/10	225,000.00	4.200000	63,490.00	288,490.00	351,980.00
12/15/10			58,765.00	58,765.00	
6/15/11	225,000.00	4.250000	58,765.00	283,765.00	342,530.00
12/15/11			53,983.75	53,983.75	
6/15/12	240,000.00	4.300000	53,983.75	293,983.75	347,967.50
12/15/12			48,823.75	48,823.75	
6/15/13	235,000.00	4.350000	48,823.75	283,823.75	332,647.50
12/15/13			43,712.50	43,712.50	
6/15/14	245,000.00	4.450000	43,712.50	288,712.50	332,425.00
12/15/14			38,261.25	38,261.25	
6/15/15	245,000.00	4.550000	38,261.25	283,261.25	321,522.50
12/15/15			32,687.50	32,687.50	
6/15/16	140,000.00	4.600000	32,687.50	172,687.50	205,375.00
12/15/16			29,467.50	29,467.50	
6/15/17	160,000.00	4.650000	29,467.50	189,467.50	218,935.00
12/15/17			25,747.50	25,747.50	
6/15/18	180,000.00	4.750000	25,747.50	205,747.50	231,495.00
12/15/18			21,472.50	21,472.50	
6/15/19	200,000.00	4.800000	21,472.50	221,472.50	242,945.00
12/15/19			16,672.50	16,672.50	
6/15/20	200,000.00	4.850000	16,672.50	216,672.50	233,345.00
12/15/20			11,822.50	11,822.50	
6/15/21	230,000.00	4.900000	11,822.50	241,822.50	253,645.00
12/15/21			6,187.50	6,187.50	
6/15/22	250,000.00	4.950000	6,187.50	256,187.50	262,375.00
	3,400,000.00		1,349,301.88	4,749,301.88	
ACCRUED			4,661.02	4,661.02	
	3,400,000.00		1,344,640.86	4,744,640.86	
	=====		=====	=====	

Dated 5/15/ 6 with Delivery of 5/26/ 6
Bond Years 29,028.333
Average Coupon 4.648224
Average Life 8.537745
N I C % 4.648224 % Using 100.0000000

Weighted Bond Years 28,924.444
Weighted Average Life 8.507190
Weighted N I C % 4.648804 % Using 100.0000000
T I C % 4.625269 % From Delivery Date

D.A. Davidson & Co., Phil Lorenzen, 402-392-7902, plorenzen@dadco.com

Micro-Muni Sizing Date: 05-02-2006 @ 16:23:58 Filename: P-MRNRD Key: WTRREVS2006AHD

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
WATER REVENUE BONDS, SUBORDINATE SERIES 2006, DATED 5/26/06
WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

=====

Debt Service Schedule

=====

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
12/10/ 6			28,817.08	28,817.08	
6/10/ 7			26,737.50	26,737.50	55,554.58
12/10/ 7			26,737.50	26,737.50	
6/10/ 8			26,737.50	26,737.50	53,475.00
12/10/ 8			26,737.50	26,737.50	
6/10/ 9			26,737.50	26,737.50	53,475.00
12/10/ 9			26,737.50	26,737.50	
6/10/10			26,737.50	26,737.50	53,475.00
12/10/10			26,737.50	26,737.50	
6/10/11	1,150,000.00	4.650000	26,737.50	1,176,737.50	1,203,475.00

	1,150,000.00		269,454.58	1,419,454.58	
ACCRUED					
	1,150,000.00		269,454.58	1,419,454.58	
=====					

Dated 5/26/ 6 with Delivery of 5/26/ 6
Bond Years 5,794.722
Average Coupon 4.650000
Average Life 5.038889
N I C % 4.650000 % Using 100.0000000

Weighted Bond Years 5,794.722
Weighted Average Life 5.038889
Weighted N I C % 4.650000 % Using 100.0000000
T I C % 4.649506 % From Delivery Date

D.A. Davidson & Co., Phil Lorenzen, 402-392-7902, plorenzen@dadco.com

Micro-Muni Sizing Date: 05-02-2006 @ 16:32:47 Filename: P-MRNRD Key: WTRREV SUB2006

PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT
WATER REVENUE BONDS, SUBORDINATE SERIES 2006, DATED 5/26/06
WASHINGTON COUNTY RURAL WATER PROJECT NO. 2

=====

Combined Debt Service

=====

Delivery Date: 5/26/ 6

Date	Principal	Coupon	Interest	Period Total	Fiscal Total	Prior Debt Service	Combined Fiscal Total

12/10/ 6			28,817.08	28,817.08			
6/10/ 7			26,737.50	26,737.50	55,554.58	340,254.38	395,808.96
12/10/ 7			26,737.50	26,737.50			
6/10/ 8			26,737.50	26,737.50	53,475.00	370,542.50	424,017.50
12/10/ 8			26,737.50	26,737.50			
6/10/ 9			26,737.50	26,737.50	53,475.00	361,317.50	414,792.50
12/10/ 9			26,737.50	26,737.50			
6/10/10			26,737.50	26,737.50	53,475.00	351,980.00	405,455.00
12/10/10			26,737.50	26,737.50			
6/10/11	1,150,000.00	4.650000	26,737.50	1,176,737.50	1,203,475.00	342,530.00	1,546,005.00
12/10/11							
6/10/12						347,967.50	347,967.50
12/10/12							
6/10/13						332,647.50	332,647.50
12/10/13							
6/10/14						332,425.00	332,425.00
12/10/14							
6/10/15						321,522.50	321,522.50
12/10/15							
6/10/16						205,375.00	205,375.00
12/10/16							
6/10/17						218,935.00	218,935.00
12/10/17							
6/10/18						231,495.00	231,495.00
12/10/18							
6/10/19						242,945.00	242,945.00
12/10/19							
6/10/20						233,345.00	233,345.00
12/10/20							
6/10/21						253,645.00	253,645.00
12/10/21							
6/10/22						262,375.00	262,375.00
	1,150,000.00		269,454.58	1,419,454.58		4,749,301.88	6,168,756.46
ACCRUED							
	1,150,000.00		269,454.58	1,419,454.58		4,749,301.88	6,168,756.46
	=====		=====	=====		=====	=====

Dated 5/26/ 6 with Delivery of 5/26/ 6
Bond Years 5,794.722
Average Coupon 4.650000
Average Life 5.038889
N I C % 4.650000 % Using 100.0000000

Weighted Bond Years 5,794.722
Weighted Average Life 5.038889
Weighted N I C % 4.650000 % Using 100.0000000
T I C % 4.649506 % From Delivery Date

D.A. Davidson & Co., Phil Lorenzen, 402-392-7902, plorenzen@dadco.com

Micro-Muni Sizing Date: 05-02-2006 @ 16:33:12 Filename: P-MRNRD Key: WTRREV SUB2006

PAPIO - MISSOURI RIVER NATURAL RESOURCES DISTRICT, NEBRASKA**Cash Flow Analysis of Fund Receipts and Estimated Bond Payments****Note: Cash Balances EXCLUDE THE DEBT SERVICE RESERVE FUND**

Prepared by:

Phil Lorenzen

D.A. Davidson & Co.

April 2006

Period Ending	Capitalized Interest Fund	Capitalized Interest Earning	Estimated Net Operating Income	Other Receipts		Series 2006 Bond Payments	Subordinate Note Payments	Est Total Debt Payments	Bond Pay Fund Balance Period End
				City of Blair	Washington County				
Beginning Balance In Bond Payment Account -- Upon Settlement and Closing of Bond and Subordinated Note (\$340M @ 4.50%)									
5/26/2006				291,952	25,942		Funds Spent to reduce Bonds	317,894	\$ 125,000
5/26/2006				-	-		Funds Spent to reduce Bonds	-	125,000
6/30/2006			25,400	-	-		Add Contingency Amount--Bond Proceeds	-	125,000
12/10/2006			-	-	-		28,817	-	150,400
12/15/2006			-	-	-		-	28,817	121,583
6/1/2007			-	-	-	88,983	-	88,983	32,600
6/10/2007			-	-	-	-	-	-	458,370
6/15/2007			-	-	-	-	26,738	26,738	431,632
6/30/2007			81,795	-	-	251,271	-	251,271	180,361
12/10/2007			-	-	-	15,300	-	-	277,456
12/15/2007			-	-	-	-	26,738	26,738	250,718
6/1/2008			-	-	-	72,771	-	72,771	177,947
6/10/2008			-	-	-	-	-	-	592,623
6/15/2008			-	-	-	-	26,738	26,738	565,885
6/30/2008			85,640	-	-	297,771	-	297,771	268,114
12/10/2008			-	-	-	15,300	-	-	369,054
12/15/2008			-	-	-	-	26,738	26,738	342,316
6/1/2009			-	-	-	-	-	68,159	274,157
6/10/2009			-	377,348	25,942	-	-	-	677,447
6/15/2009			-	-	-	-	26,738	26,738	650,709
6/30/2009			96,255	-	-	293,159	-	293,159	357,550
12/10/2009			-	-	-	15,300	-	-	469,105
12/15/2009			-	-	-	-	26,738	26,738	442,367
6/1/2010			-	-	-	63,490	-	63,490	378,877
6/10/2010			-	-	-	-	-	-	770,189
6/15/2010			-	-	-	-	26,738	26,738	743,451
6/30/2010			103,375	-	-	288,490	-	288,490	454,961
12/10/2010			-	-	-	15,300	-	-	573,636
12/15/2010			-	-	-	-	26,738	26,738	546,898
			-	-	-	58,765	-	58,765	488,133

6/1/2011			-	653,846	25,942	-	-	-	1,167,921
6/10/2011			-	-	-	-	1,175,300	1,175,300	(7,379)
6/15/2011			-	-	-	283,765	-	283,765	(291,144)
6/30/2011			107,828	-	-	15,300	-	-	(168,016)

Notes:

Cash flows based on expected revenues from users as projected by the NRD indicate it would seem necessary to roll the June 15, 2011 maturity of Subordinated Notes into a replacement Note issue or to issue bonds with a maturity of June 15, 2015 or longer. The determination to re-issue Notes or to issue bonds will be dependent upon a review of operating history and updated projections of probable operating revenues closer to June 15, 2011.

Papio-Missouri River Natural Resources District

Washington County Rural Water Project No. 2-- 2006

Operating Projections

Based on Data and analysis of the Papio-Missouri River NRD as to users, rates and expenses.
Figures are estimated--results are not guaranteed and may vary form projections.

TABLE A VII

(a) (06/30) Fiscal Year	(b) Total	(c) Active Ave Mo Billing	(d) Active User Income	(e) No. of Inactive Users	(f) Inactive Ave Mo Billing	(g) Inactive User Income	(h) Total Month Billing	(i) Country Estates Billings	(j) Total Mo/ or Annual Income	(k) Less Operation & Maintenance	(l) Gallons of Water Purch	(m) Less Cost of Water	(n) Net Oper Income	(o) Add \$ of Net Add'l Hookups	(p) Est Net Income + Hookups
Feb-06	75	\$ 46.35	\$ 3,245	195	\$ 14.75	\$ 2,950	6,195	750	\$ 6,945	\$ 2,000	1,060,000	\$ 890	\$ 4,054	\$ -	\$ 4,054
Mar-06	84	\$ 46.35	\$ 3,476	187	\$ 14.75	\$ 2,876	6,353	750	7,103	2,000	1,100,000	924	\$ 4,179	800	4,979
Apr-06	93	\$ 46.35	\$ 3,893	179	\$ 14.75	\$ 2,758	6,652	750	7,402	2,000	1,172,000	984	\$ 4,417	800	5,217
May-06	102	\$ 46.35	\$ 4,311	171	\$ 14.75	\$ 2,640	6,951	750	7,701	2,000	1,244,000	1,045	\$ 4,656	800	5,456
Jun-06	111	\$ 46.35	\$ 4,728	163	\$ 14.75	\$ 2,522	7,250	750	8,000	2,000	1,316,000	1,105	\$ 4,895	800	5,695
FY 2006 Sub									37,149	10,000	5,892,000	4,949	22,200	3,200	25,400
Jul-06	120	\$ 46.35	\$ 5,145	155	\$ 14.75	\$ 2,404	7,549	750	8,299	2,000	1,388,000	1,166	\$ 5,133	800	5,933
Aug-06	129	\$ 46.35	\$ 5,562	147	\$ 14.75	\$ 2,286	7,848	750	8,598	2,000	1,460,000	1,226	\$ 5,372	800	6,172
Sep-06	138	\$ 46.35	\$ 5,979	139	\$ 14.75	\$ 2,168	8,147	750	8,897	2,000	1,532,000	1,287	\$ 5,611	800	6,411
Oct-06	146	\$ 46.35	\$ 6,396	133	\$ 14.75	\$ 2,050	8,447	750	9,197	2,070	1,604,000	1,347	\$ 5,779	1,500	7,379
Nov-06	153	\$ 46.35	\$ 6,767	127	\$ 14.75	\$ 1,962	8,729	750	9,479	2,190	1,668,000	1,401	\$ 5,888	800	6,688
Dec-06	156	\$ 46.35	\$ 7,092	125	\$ 14.75	\$ 1,873	8,965	750	9,715	2,295	1,724,000	1,448	\$ 5,972	800	6,772
Jan-07	159	\$ 46.35	\$ 7,231	123	\$ 14.75	\$ 1,844	9,074	750	9,824	2,340	1,748,000	1,468	\$ 6,016	800	6,816
Feb-07	162	\$ 46.35	\$ 7,370	121	\$ 14.75	\$ 1,814	9,184	750	9,934	2,385	1,772,000	1,488	\$ 6,060	800	6,860
Mar-07	165	\$ 46.35	\$ 7,509	119	\$ 14.75	\$ 1,785	9,293	750	10,043	2,430	1,796,000	1,509	\$ 6,105	800	6,905
Apr-07	170	\$ 46.35	\$ 7,648	116	\$ 14.75	\$ 1,755	9,403	750	10,153	2,475	1,820,000	1,529	\$ 6,149	1,600	7,749
May-07	174	\$ 46.35	\$ 7,880	113	\$ 14.75	\$ 1,711	9,591	750	10,341	2,550	1,860,000	1,562	\$ 6,228	800	7,028
Jun-07	178	\$ 46.35	\$ 8,065	110	\$ 14.75	\$ 1,667	9,732	750	10,482	2,610	1,892,000	1,589	\$ 6,282	800	7,082
FY 2007 Sub									114,962	27,345	20,264,000	17,022	70,595	11,200	81,795
2008	198	\$ 46.35	\$ 99,004	102	\$ 14.75	\$ 19,470	118,474	9,000	127,474	32,040	23,088,000	19,394	76,040	9,600	85,640
2009	218	\$ 47.28	\$ 112,330	94	\$ 15.50	\$ 18,972	131,302	9,600	140,902	35,640	25,008,000	21,007	84,255	12,000	96,255
2010	238	\$ 48.22	\$ 126,150	86	\$ 15.50	\$ 17,484	143,634	9,600	153,234	39,240	26,928,000	22,620	91,375	12,000	103,375
2011	258	\$ 49.19	\$ 140,478	78	\$ 15.50	\$ 15,996	156,474	9,600	166,074	42,840	28,848,000	24,060	95,828	12,000	107,828
2012	278	\$ 50.17	\$ 155,329	70	\$ 15.50	\$ 14,508	169,837	9,600	179,437	46,440	30,768,000	25,230	103,767	12,000	115,767
2013	303	\$ 51.17	\$ 170,717	58	\$ 16.25	\$ 13,650	184,367	10,200	194,567	50,040	32,688,000	31,054	113,473	13,000	126,473
2014	328	\$ 52.20	\$ 189,791	46	\$ 16.25	\$ 11,310	201,101	10,200	211,301	54,540	35,088,000	33,334	123,427	13,000	136,427
2015	353	\$ 53.24	\$ 209,559	34	\$ 16.25	\$ 8,970	218,529	10,200	228,729	59,040	37,488,000	35,614	134,075	13,000	147,075
2016	380	\$ 54.31	\$ 230,042	22	\$ 16.25	\$ 6,630	236,672	10,200	246,872	63,540	39,888,000	37,894	145,438	15,000	160,438
2017	407	\$ 55.39	\$ 252,590	10	\$ 16.25	\$ 4,290	256,880	10,200	267,080	68,400	42,480,000	40,356	158,324	15,000	173,324
2018	430	\$ 56.50	\$ 275,948	2	\$ 17.00	\$ 2,040	277,988	10,800	288,788	73,260	45,072,000	42,818	172,710	18,000	190,710
2019	447	\$ 57.63	\$ 297,373	-	\$ 17.00	\$ 408	297,781	10,800	308,581	77,400	47,280,000	44,916	186,265	18,000	204,265
2020	462	\$ 58.78	\$ 315,312	-	\$ 17.00	\$ 408	315,312	10,800	326,112	80,460	48,912,000	46,466	199,186	18,000	217,186
2021	477	\$ 59.96	\$ 332,411	-	\$ 17.00	\$ 408	332,411	10,800	343,211	83,160	50,352,000	47,834	212,216	18,000	230,216
2022	492	\$ 61.16	\$ 350,067	-	\$ 17.00	\$ 408	350,067	10,800	360,867	85,860	51,792,000	49,202	225,805	18,000	243,805
2023	507	\$ 62.38	\$ 368,297	-	\$ 17.00	\$ 408	368,297	11,500	379,797	88,560	53,232,000	50,570	240,667	19,500	260,167
2024	522	\$ 63.63	\$ 387,117	-	\$ 17.00	\$ 408	387,117	11,500	398,617	91,260	54,672,000	51,938	255,418	19,500	274,918
2025	537	\$ 64.90	\$ 406,541	-	\$ 17.00	\$ 408	406,541	11,500	418,041	93,960	56,112,000	53,306	270,775	19,500	290,275
2026	552	\$ 66.20	\$ 426,588	-	\$ 17.00	\$ 408	426,588	11,500	438,088	96,660	57,552,000	54,674	286,753	19,500	306,253
2027	567	\$ 67.52	\$ 447,274	-	\$ 17.00	\$ 408	447,274	11,500	458,774	99,360	58,992,000	56,042	303,371	19,500	322,871
2028	582	\$ 68.87	\$ 468,616	-	\$ 17.00	\$ 408	468,616	12,200	480,816	102,060	60,432,000	57,410	321,346	22,500	343,846
2029	597	\$ 70.25	\$ 490,634	-	\$ 17.00	\$ 408	490,634	12,200	502,834	104,760	61,872,000	58,778	339,296	22,500	361,796
2030	612	\$ 71.66	\$ 513,345	-	\$ 17.00	\$ 408	513,345	12,200	525,545	107,460	63,312,000	60,146	357,938	22,500	380,438
2031	627	\$ 73.09	\$ 536,768	-	\$ 17.00	\$ 408	536,768	12,200	548,968	110,160	64,752,000	61,514	377,293	22,500	399,793
2032	642	\$ 74.55	\$ 560,922	-	\$ 17.00	\$ 408	560,922	12,200	573,122	112,860	66,192,000	62,882	397,380	22,500	419,880

Papio-Missouri River Natural Resources District

Washington County Rural Water Project No. 2-- 2006

Debt Service Coverage Projections

TABLE B
Series 2006A Bonds Only

(a) (6/30) Fiscal Year	(b) Est Net Income + Hookups	(c)		(d)		(e)		(f) Interest on DSR Fund 4.75%	(g) Interest on Surplus 4.75%	(h) Total Available Funds	(i) Est Principal	(j) Est Interest	(k) Est Total Bond Payments	(l) Projected Coverage	(m) Est Annual Surplus	(n) Est Cumulative Surplus	(o) Debt Svc Reserve Fd	(p) Funds Available for Bond Pre-pay
		City of Blair	Other Funds Sources Washington County	Capitalized Interest														
Feb-06	\$ 4,054																	
Mar-06	4,979																	
Apr-06	5,217																	
May-06	5,456	\$ 291,952	\$ 25,942	\$ 125,000														
Jun-06	5,695																	
FY 2006 Sub	25,401	291,952	\$ 25,942	\$ 125,000			468,295								\$ 25,401	\$ 25,401	\$ 340,000	\$ 340,000
Jul-06	5,933																	
Aug-06	6,172																	
Sep-06	6,411																	
Oct-06	7,379																	
Nov-06	6,688																	
Dec-06	6,772																	
Jan-07	6,816																	
Feb-07	6,860																	
Mar-07	6,905																	
Apr-07	7,749																	
May-07	7,028	399,828	\$ 25,942	125,000	\$ 16,150													
Jun-07	7,082																	
FY 2007 Sub	81,795	399,828	25,942	125,000	16,150		648,715											
2008	85,640	388,734	\$ 25,942		16,150	15,858	532,324											
2009	96,255	377,348	\$ 25,942		16,150	23,543	539,238											
2010	103,375	365,670	\$ 25,942		16,150	31,984	543,131											
2011	107,828	353,848	\$ 25,942		16,150	41,074	544,840											
2012	115,767	341,875	\$ 25,942		16,150	50,984	550,418											
2013	126,473	329,613	\$ 25,942		16,150	60,300	558,478											
2014	136,427	317,206	\$ 25,942		16,150	71,027	566,752											
2015	147,075	304,652	\$ 25,942		16,150	82,157	575,976											
2016	160,438				16,150	94,244	270,832											
2017	173,324				16,150	97,353	286,827											
2018	190,710				16,150	100,578	307,438											
2019	204,265				16,150	104,185	324,600											
2020	217,186				16,150	108,064	341,400											
2021	230,216				16,150	113,197	359,563											
2022	243,805				16,150	118,228	378,183											
2023	260,167				16,150	123,729	400,046											
2024	274,918				16,150	142,731	433,799											
2025	290,275				16,150	163,336	469,761											
2026	306,253				16,150	185,650	508,053											
2027	322,871				16,150	209,782	548,803											
2028	343,846				16,150	235,851	595,847											
2029	361,796				16,150	264,153	642,099											
2030	380,438				16,150	294,653	691,241											
2031	399,793				16,150	327,487	743,430											
2032	419,880				16,150	362,800	798,830											

Papio-Missouri River Natural Resources District
Washington County Rural Water Project No. 2-- 2006
Debt Service Coverage Projections

TABLE C
Series 2006A and 2006B Bonds

(a) (6/30) Fiscal Year	(b) Est Net Income + Hookups	(c)		(d)		(e)		(f) Interest on DSR Fund 4.75%	(g) Interest on Surplus 4.75%	(h) Total Available Funds	(i) Est Principal	(j) Est Interest	(k) Est Total Bond Payments	(l) Projected Coverage	(m) Est Annual Surplus	(n) Est Cumulative Surplus	(o) Debt Svc Reserve Fd	(p) Funds Available for Bond Pre-pay
		City of Blair	Other Funds Sources Washington County	Capitalized Interest														
Feb-06	\$ 4,054																	
Mar-06	4,979																	
Apr-06	5,217																	
May-06	5,456	\$ 291,952	\$ 25,942	\$ 125,000														
Jun-06	5,695																	
FY 2006 Sub	25,401	291,952	\$ 25,942	\$ 125,000			468,295								\$ 25,401	\$ 25,401	\$ 340,000	\$ 340,000
Jul-06	5,933																	
Aug-06	6,172																	
Sep-06	6,411																	
Oct-06	7,379																	
Nov-06	6,688																	
Dec-06	6,772																	
Jan-07	6,816																	
Feb-07	6,860																	
Mar-07	6,905																	
Apr-07	7,749																	
May-07	7,028	399,828	\$ 25,942	125,000	\$ 16,150													
Jun-07	7,082																	
FY 2007 Sub	81,795	399,828	25,942	125,000	16,150		648,715						395,809	1,539	252,906	278,307	340,000	618,307
2008	85,640	388,734	\$ 25,942		16,150	13,220	529,666						395,809	1,249	105,668	383,975	340,000	723,975
2009	96,255	377,348	\$ 25,942		16,150	18,239	533,934						424,018	1,287	119,141	503,115	340,000	843,115
2010	103,375	365,670	\$ 25,942		16,150	23,898	535,035						414,793	1,320	129,580	632,695	340,000	972,695
2011	107,828	353,846	\$ 25,942		16,150	30,053	533,819						405,455	0,345	(1,012,186)	(379,491)	340,000	(39,491)
2012	115,767	341,875	\$ 25,942		16,150	(18,026)	481,708						1,546,005	1,384	133,740	(245,751)	340,000	94,249
2013	126,473	329,613	\$ 25,942		16,150	(11,673)	486,505						347,968	1,463	153,857	(91,894)	340,000	248,106
2014	136,427	317,206	\$ 25,942		16,150	(4,365)	491,360						332,425	1,478	158,935	67,041	340,000	407,041
2015	147,075	304,652	\$ 25,942		16,150	3,184	497,003						321,523	1,546	175,480	242,522	340,000	582,522
2016	160,438				16,150	11,520	188,108						205,375	0,916	(17,267)	225,254	340,000	565,254
2017	173,324				16,150	10,700	200,174						218,935	0,914	(18,761)	206,493	340,000	546,493
2018	190,710				16,150	9,808	216,668						231,495	0,936	(14,827)	191,666	340,000	531,666
2019	204,265				16,150	9,104	229,519						242,945	0,945	(13,426)	178,240	340,000	518,240
2020	217,186				16,150	8,466	241,802						233,345	1,036	8,457	186,698	340,000	526,698
2021	230,216				16,150	8,868	255,234						253,645	1,006	1,589	188,287	340,000	528,287
2022	243,805				16,150	8,944	268,899						262,375	1,025	6,524	194,811	340,000	534,811
2023	260,167				16,150	9,254	285,571						-	n/a	285,571	480,381	340,000	820,381
2024	274,918				16,150	22,818	313,886						-	n/a	313,886	794,267	340,000	1,134,267
2025	290,275				16,150	37,728	344,153						-	n/a	344,153	1,138,420	340,000	1,478,420
2026	306,253				16,150	54,075	376,478						-	n/a	376,478	1,514,898	340,000	1,854,898
2027	322,871				16,150	71,958	410,979						-	n/a	410,979	1,925,877	340,000	2,265,877
2028	343,846				16,150	91,479	451,475						-	n/a	451,475	2,377,352	340,000	2,717,352
2029	361,796				16,150	112,924	490,870						-	n/a	490,870	2,868,222	340,000	3,208,222
2030	380,438				16,150	136,241	532,829						-	n/a	532,829	3,401,050	340,000	3,741,050
2031	399,793				16,150	161,550	577,493						-	n/a	577,493	3,978,543	340,000	4,318,543
2032	419,880				16,150	188,981	625,011						-	n/a	625,011	4,603,554	340,000	4,943,554