

In the opinion of Faegre & Benson LLP, Bond Counsel, under present laws, regulations, rulings and decisions, interest on the Series 2011A Bonds offered hereby is not included in gross income for federal income tax purposes and is not an item of tax preference included in the computation of the alternative minimum tax imposed on individuals under the Internal Revenue Code, but is required to be included in the calculation of adjusted current earnings to be used in computing corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the interest on the Series 2011A Bonds is exempt from all income taxation by the State of North Dakota under the North Dakota Public Finance Authority Act. See "TAX EXEMPTION" herein.

\$101,210,000

**NORTH DAKOTA PUBLIC FINANCE AUTHORITY
State Revolving Fund Program Bonds, Series 2011A**

Dated: Delivery Date

Due: October 1, as shown below

The State Revolving Fund Program Bonds, Series 2011A (the "Series 2011A Bonds") offered hereby are being issued pursuant to the North Dakota Clean Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.2), the North Dakota Drinking Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.1), the North Dakota Public Finance Authority Act (North Dakota Century Code Chapter 6-09.4), an Amended and Restated Master Trust Indenture dated as of July 1, 2011, as amended, (the "Master Trust Indenture") by and between the North Dakota Public Finance Authority (the "Authority") and the Bank of North Dakota, as Trustee (the "Trustee"), and a Series Resolution adopted on June 16, 2011 by the Industrial Commission of the State of North Dakota (the "Industrial Commission").

Proceeds of the Series 2011A Bonds will be used by the Authority to make loans to political subdivisions of the State of North Dakota and certain other entities (the "Borrowers") through the purchase of certain obligations issued by such Borrowers for use in connection with the financing or refinancing of water pollution control and drinking water projects, as described herein; to refund certain portions of the outstanding State Revolving Fund Program Bonds, Series 2001A, and outstanding State Revolving Fund Program Bonds, Series 2003A and pay costs of issuance related to the Series 2011A Bonds.

The Series 2011A Bonds will be issued as fully registered bonds without coupons, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as described herein. DTC will act as securities depository of the Series 2011A Bonds. Individual purchases may be made in book-entry form only, in the denomination of \$5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Series 2011A Bonds purchased.

Payments of the principal of and interest on the Series 2011A Bonds will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Series 2011A Bonds. Interest on the Series 2011A Bonds is payable semi-annually on each April 1 and October 1, commencing April 1, 2012.

The Series 2011A Bonds are subject to optional and extraordinary mandatory redemption prior to maturity as described herein.

MATURITY SCHEDULE - \$101,210,000 Bonds

<u>Maturity October 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price Or Yield</u>	<u>CUSIP</u>	<u>Maturity October 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price Or Yield</u>	<u>CUSIP</u>
2012	\$2,525,000	3.000%	NRO	65887PHH1	2021	\$5,995,000	5.000%	2.970%	65887PHS7
2013	3,785,000	3.000%	0.490%	65887PHJ7	2022	4,840,000	5.000%	3.160%	65887PJG1
2014	2,865,000	4.000%	0.770%	65887PJC0	2022	525,000	3.125%	3.160%	65887PHT5
2014	1,000,000	2.000%	0.770%	65887PHK4	2023	3,315,000	5.000%	3.320%	65887PJH9
2015	5,145,000	4.000%	1.040%	65887PHL2	2023	1,000,000	3.125%	3.320%	65887PHU2
2016	4,975,000	4.000%	1.360%	65887PHM0	2024	4,515,000	5.000%	3.470%	65887PHV0
2017	4,330,000	5.000%	1.740%	65887PJD8	2025	4,740,000	5.000%	3.600%	65887PHW8
2017	850,000	2.000%	1.740%	65887PHN8	2026	4,975,000	5.000%	3.690%	65887PHX6
2018	1,410,000	5.000%	2.150%	65887PJE6	2027	5,225,000	5.000%	3.780%	65887PHY4
2018	4,000,000	4.000%	2.150%	65887PHP3	2028	5,485,000	5.000%	3.870%	65887PJL0
2019	4,625,000	5.000%	2.530%	65887PJK2	2029	5,760,000	5.000%	3.940%	65887PHZ1
2019	1,020,000	4.000%	2.530%	65887PHQ1	2030	6,050,000	5.000%	4.000%	65887PJA4
2020	5,285,000	5.000%	2.790%	65887PJF3	2031	5,095,000	5.000%	4.080%	65887PJJ5
2020	620,000	3.000%	2.790%	65887PHR9	2031	1,255,000	4.000%	4.080%	65887PJB2

The Series 2011A Bonds are obligations of the Authority payable primarily from specific revenues and funds pledged therefor under the Master Trust Indenture and a Series Resolution as described herein. The Authority has no taxing power. The Series 2011A Bonds are not in any way a debt or liability of the State of North Dakota, the Industrial Commission or of any political subdivision of the State, except as described herein. See "Sources of Payment and Security" herein.

The Series 2011A Bonds are offered, subject to prior sale, when, as and if accepted by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative, acting on behalf of itself and Piper Jaffray & Co. (the "Underwriters"), and subject to an opinion as to validity and tax exemption by Faegre & Benson LLP, Minneapolis, Minnesota, as Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, the Attorney General of the State of North Dakota and certain legal matters will be passed upon for the Underwriters by their counsel, Briggs and Morgan, Professional Association, Minneapolis and St. Paul, Minnesota. It is anticipated that the Series 2011A Bonds in definitive form will be available for delivery at DTC in New York, New York on or about August 9, 2011.

BofA Merrill Lynch

Piper Jaffray

The date of this Official Statement is July 27, 2011.

THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO, AND SHOULD NOT BE RELIED ON IN CONNECTION WITH, ANY PURCHASE OR SALE OF BONDS OTHER THAN THE INITIAL OFFERING OF THE SERIES 2011A BONDS.

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

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been furnished by the North Dakota Public Finance Authority, the various Borrowers and other sources which the North Dakota Public Finance Authority believes 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 thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the North Dakota Public Finance Authority since the date thereof. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The preliminary version of the Official Statement should not be relied upon after the time that the Official Statement is available in final form, which final Official Statement should be reviewed in its entirety for changed, completed and supplemented information.

This Official Statement includes forward-looking statements. Forward-looking statements are generally identifiable by the use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project” or similar expressions. Forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The Authority undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. 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, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS 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.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

John S. (Jack) Dalrymple III Governor, Chairman of the Commission
Wayne Stenehjem Attorney General, Member
Doug Goehring Agriculture Commissioner, Member
Karlene Fine Executive Director and Secretary

ISSUER

North Dakota Public Finance Authority

DeAnn Ament *Executive Director*
Kylee Merkel *Business Manager*

PROGRAM ADMINISTRATOR

North Dakota Department of Health

L. David Glatt Chief, Environmental Health Section
Dave Bergsagel Environmental Engineer
David Bruschwein Environmental Engineer

COUNSEL TO THE AUTHORITY

Office of the Attorney General

BOND COUNSEL

Faegre & Benson LLP
Minneapolis, Minnesota

FINANCIAL ADVISOR

Public Financial Management, Inc.
Minneapolis, Minnesota

UNDERWRITERS

Bank of America Merrill Lynch
New York, New York

Piper Jaffray
Minneapolis, Minnesota

UNDERWRITERS' COUNSEL

Briggs and Morgan, Professional Association
Minneapolis and St. Paul, Minnesota

ARBITRAGE/VERIFICATION SERVICES

Chris D. Berens, CPA, P.C.
Omaha, Nebraska

TRUSTEE/PAYING AGENT

Bank of North Dakota
Bismarck, North Dakota

INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the North Dakota Public Finance Authority (the “Authority”) \$101,210,000 State Revolving Fund Program Bonds, Series 2011A (the “Series 2011A Bonds”) and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto. Each prospective investor in the Series 2011A Bonds is encouraged to read this Official Statement in its entirety.

Issuer: The North Dakota Public Finance Authority, an agency of the State of North Dakota, known as the North Dakota Municipal Bond Bank prior to August 1, 2005.

Purpose: Proceeds of the Series 2011A Bonds will be used by the Authority to (i) make Loans at below market interest rates to political subdivisions of the State of North Dakota and certain other entities (the “Borrowers”) through the purchase of certain obligations (the “Municipal Securities”) issued by such Borrowers for use in connection with the financing or refinancing of water pollution control and drinking water projects as described herein; (ii) refund portions of the outstanding State Revolving Fund Program Bonds, Series 2001A (the “Series 2001A Bonds”) and the outstanding State Revolving Fund Program Bonds, Series 2003A (the “Series 2003A Bonds”) (together, the “Refunded Bonds”) as described herein; and (iii) pay costs of issuance related to the Series 2011A Bonds.

Master Trust Indenture: These purposes are effected through an Amended and Restated Master Trust Indenture dated as of July 1, 2011 (the “Master Trust Indenture”) which contains within it two revolving funds – the Clean Water State Revolving Fund (the “Clean Water SRF”) to finance water pollution control projects under the Federal Clean Water Act and the Drinking Water State Revolving Fund (the “Drinking Water SRF”) to finance drinking water projects under the Federal Safe Drinking Water Act. The Master Trust Indenture amended and restated a Master Trust Indenture dated as of October 1, 1998, as subsequently amended, and Bonds outstanding thereunder are now secured by the new Master Trust Indenture described herein.

Security: The sources of payment and security for the Series 2011A Bonds and other obligations heretofore or hereafter issued under the Master Trust Indenture (together with the Series 2011A Bonds, (the “Bonds”) are the revenues derived from certain payments of principal of and interest on the Municipal Securities evidencing the Loans to be made with federal capitalization grants (the “Capitalization Grants”) and proceeds of the sale of the Bonds, amounts on deposit in certain funds and accounts established under the Master Trust Indenture and earnings thereon.

Unlike previously issued Bonds, the Series 2011A Bonds are not entitled to the benefit of the Reserve Funds established under the Master Trust Indenture or the ability to request appropriations from the Legislative Assembly to restore deficiencies.

In general, money to pay debt service on the Series 2011A Bonds is drawn from resources available under the Clean Water SRF and the Drinking Water SRF, respectively, in proportion to the relative amounts of proceeds of the Series 2011A Bonds deposited in the Clean Water SRF and the Drinking Water SRF. See “Sources of Payment and Security” herein.

Sources For Repayment: The Master Indenture provides for each payment of principal of and interest on the Bonds of each Series to be divided into a “Clean Water Portion” and a “Drinking Water Portion” and that both the Clean Water Portion and the Drinking Water Portion be divided into a State Match Portion and a Leveraged Portion based on the application of the proceeds of the Bonds. Accordingly debt service payments for each maturity may have a Clean Water State Match Portion, a Clean Water Leveraged Portion, a Drinking Water State Match Portion and a Drinking Water Leveraged Portion.

Based on the expected application of the proceeds of the Series 2011A Bonds and the uses of the proceeds of the Refunded Bonds, the Clean Water State Match Portion, Clean Water Leveraged Portion, Drinking Water State Match Portion and Drinking Water Leveraged Portion of each maturity of Series 2011A Bonds and the State Match Portion and Leveraged Portion of each such maturity of Series 2011A Bonds is set forth herein under “Description of the Series 2011A Bonds—Terms of the Series 2011A Bonds.” Such portions are subject to change as more fully described herein in the event the Executive Director exercises her authority to reallocate the proceeds of the Series 2011A Bonds within the three-year period following issuance of the Series 2011A Bonds.

Generally the Clean Water Portion is payable from revenues of the Clean Water SRF and the Drinking Water Portion from revenues of the Drinking Water SRF. Only revenues constituting interest earnings on proceeds of Capitalization Grants and other available funds and interest receivable on the Loans can be used to pay debt service on a State Match Portion.

In the event amounts available in the Clean Water SRF or the Drinking Water SRF are insufficient to pay its respective portion of principal of or interest on Bonds then due and payable, the Trustee must transfer an amount sufficient to remedy such deficiency, if available, from certain permitted accounts of the other State Revolving Fund.

Optional Redemption: The Series 2011A Bonds maturing on or after October 1, 2022 are subject to redemption and prior payment at the option of the Authority on October 1, 2021 and on any date thereafter in whole or in part in such amounts and from such maturities as the Authority may determine and by lot within a maturity at the redemption price of par plus accrued interest.

Extraordinary Mandatory Redemption: To the extent less than 95% of the proceeds of the Series 2011A Bonds are not spent within three years, the Series 2011A Bonds shall be subject to redemption and payment prior to maturity on October 1, 2014, in an amount necessary to maintain tax exempt status of the interest on the Series 2011A Bonds. The redemption price for any Series 2011A Bonds so redeemed shall be 105% of the amortized issue price as determined by the Authority for each maturity of the Series 2011A Bonds set forth in Appendix F, expressed as percentages of the principal amount of each maturity of the Series 2011A Bonds so redeemed, plus accrued interest thereon to the date of redemption. See “Description of the Series 2011A Bonds - Redemption of the Series 2011A Bonds” herein.

Denominations: \$5,000 or integral multiples thereof.

Book-Entry Only: The Series 2011A Bonds will be issued as book-entry-only securities through the Depository Trust Company.

Regular Record Date: The 15th day of the month preceding the payment date.

Principal Payments: Annually, commencing October 1, 2012 and concluding October 1, 2031.

Interest Payments: Semiannually on April 1 and October 1, commencing April 1, 2012.

Additional Bonds: The Master Trust Indenture permits the issuance of Additional Bonds secured on a parity with the Series 2011A Bonds and other Bonds previously and subsequently issued pursuant to the Master Trust Indenture, upon compliance with the requirements of the Master Trust Indenture. Additional Bonds may be issued if during each year that the Bonds to be issued are scheduled to be Outstanding, Projected Revenue will be at least 120% of the principal and interest due in such year on all the Outstanding and to be issued Bonds. See “Source of Payment and Security – Additional Bonds” herein.

Tax Status: Exempt from federal income taxation and State of North Dakota income taxation as set forth in “Tax Exemption” herein. The Series 2011A Bonds will not be designated Qualified Tax-Exempt Obligations within the meaning of Section 265(b)(3) of the Internal Revenue Code.

Professional Consultants:

<i>Financial Advisor:</i>	Public Financial Management, Inc. Minneapolis, Minnesota
<i>Bond Counsel:</i>	Faegre & Benson LLP Minneapolis, Minnesota
<i>Underwriters:</i>	Bank of America Merrill Lynch New York, New York
	Piper Jaffray Minneapolis, Minnesota
<i>Underwriters’ Counsel:</i>	Briggs and Morgan, Professional Association Minneapolis and St. Paul, Minnesota
<i>Trustee/Paying Agent:</i>	Bank of North Dakota Bismarck, North Dakota
<i>Verification/Arbitrage Services:</i>	Chris D. Berens, CPA, P.C. Omaha, Nebraska

Legal Matters: Legal matters incident to the authorization and issuance of the Series 2011A Bonds are subject to the opinion of Faegre & Benson LLP, Bond Counsel, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix D attached hereto. Certain legal matters will be passed upon for the Authority by its counsel, the Attorney General of the State of North Dakota. Bond Counsel has not participated in the preparation of this Official Statement except for information under the headings “Tax Exemption”, “Legality”, “Description of the Series 2011A Bonds”, “Summary of Certain Provisions of the Master Trust Indenture”, “Summary of Loan Agreements”, and “Appendix C – Summary of Certain Provisions of the Master Trust Indenture.”

Authority for Issuance: The Series 2011A Bonds are issued pursuant to the North Dakota Clean Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.2), the North Dakota Drinking Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.1), the North Dakota Public Finance Authority Act (North Dakota Century Code Chapter 6-09.4), the Master Trust Indenture and a Series Resolution adopted by the Industrial Commission of the State of North Dakota on June 16, 2011 (the “2011A Series Resolution”). See “Appendix C – Summary of Certain Provisions of the Master Trust Indenture” herein.

Conditions Affecting Issuance of Bonds: The Series 2011A Bonds are offered when, as and if issued, subject to, among other conditions, the approving legal opinion of Faegre & Benson LLP.

Delivery: Expected on or about August 9, 2011.

- No Litigation:** There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2011A Bonds, or prohibiting the Authority from making Loans to political subdivisions of the State of North Dakota and certain other entities (the “Borrowers”) or purchasing certain obligations of the Borrowers (“Municipal Securities”) with the proceeds of Bonds, or in any way contesting or affecting the validity or tax exemption of any Series 2011A Bonds or any proceedings of the North Dakota Department of Health (the “Department”), the Authority or the Industrial Commission taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Series 2011A Bonds or the existence or necessary powers of the Department, the Authority or the Industrial Commission or the exemption of the income of the Authority from state or federal income taxes.
- Continuing Disclosure:** The Authority has agreed with the Bondholders to provide ongoing disclosure of certain information. The Authority, to the best of its knowledge, has not defaulted on any of its continuing disclosure obligations. See “Description of the Series 2011A Bonds - Continuing Disclosure” herein.
- Prospective Amendment:** Purchasers of the Series 2011A Bonds are deemed to consent to an amendment to Section 12.01 of the Master Trust Indenture which, if approved by Bondholders of two-thirds in aggregate principal amount of all Outstanding Bonds, would permit the adoption of certain future amendments to the Master Trust Indenture without Bondholder consent if in the judgment of the Executive Director, the then current ratings on all Outstanding Bonds will be maintained or improved. See “Sources of Payment and Security—Prospective Master Trust Indenture Amendment” herein.
- The Authority is also amending other provisions of the current Master Indenture, which amendments do not require consent of Bondholders and will be effective upon the execution of the Master Trust Indenture.
- Additional Information:** Questions regarding the Series 2011A Bonds or the Official Statement can be directed to and additional copies of the Official Statement may be obtained from Public Financial Management, Inc., 800 Nicollet Mall, Suite 2710, Minneapolis, Minnesota 55402, (612/338-3535) or the North Dakota Public Finance Authority, 1200 Memorial Highway, Bismarck, North Dakota 58504 (701/328-7100).

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OFFICIAL STATEMENT

\$101,210,000

NORTH DAKOTA PUBLIC FINANCE AUTHORITY State Revolving Fund Program Bonds, Series 2011A

INTRODUCTORY STATEMENT

All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Master Trust Indenture.

The Legislative Assembly of the State of North Dakota has established a revolving loan fund (the “Clean Water State Revolving Fund” or “Clean Water SRF”) pursuant to Chapter 61-28.2, North Dakota Century Code (the “CWSRF Act”) to be maintained and operated by the North Dakota Department of Health (the “Department”) to provide for loans for the planning, design, construction and rehabilitation of wastewater treatment facilities and certain other activities in accordance with Title VI of the Clean Water Act (the “Clean Water Program”). Additionally, the Legislative Assembly of the State of North Dakota has established a revolving loan fund (the “Drinking Water State Revolving Fund” or “Drinking Water SRF”) pursuant to Chapter 61-28.1, North Dakota Century Code (the “DWSRF Act”) to be maintained by the Department to provide loans for expenditures on public water systems which facilitate compliance with national primary drinking water regulations or otherwise significantly further the health objectives of the Safe Drinking Water Act (the “Drinking Water Program”). The Clean Water State Revolving Fund and the Drinking Water State Revolving Fund are collectively referred to herein as the “State Revolving Funds”. The Clean Water Program and the Drinking Water Program are collectively referred to herein as the “State Revolving Fund Programs” or “Programs”.

This Official Statement sets forth information concerning the issuance by the North Dakota Public Finance Authority (the “Authority”) of a series of its North Dakota Public Finance Authority State Revolving Fund Program Bonds designated as Series 2011A. The Series 2011A Bonds mature on the dates and in the amounts as set forth on the cover of this Official Statement and contain other terms as set forth herein. See “Description of the Series 2011A Bonds” herein. The Series 2011A Bonds are issued pursuant to and secured by an Amended and Restated Master Trust Indenture (the “Master Trust Indenture”), dated as of July 1, 2011, by and between the Authority and the Bank of North Dakota, as Trustee (the “Trustee”). The Authority had previously provided financing for the Clean Water Program and Drinking Water Program through the issuance of Bonds which are secured by the Master Trust Indenture. The Master Trust Indenture amends and restates the prior indentures and provides for financing of the Clean Water Program and the Drinking Water Program. The Series 2011A Bonds and all other Bonds heretofore or hereafter issued pursuant to the prior indentures or the Master Trust Indenture are herein referred to as the “Bonds” and are now secured by the Master Trust Indenture.

Pursuant to the CWSRF Act and the DWSRF Act, the Department may apply for federal capitalization grants (the “Capitalization Grants”) and use the proceeds to fund loans, establish reserves or for other purposes permitted under such Acts. As a condition to the receipt of Capitalization Grants, the State of North Dakota (the “State”) is required to provide matching funds (the “State Match”) equal to twenty percent (20%) of each Capitalization Grant. The Department has applied for and been awarded Capitalization Grants for the Clean Water Program for federal fiscal years 1989 through 2010 and has applied for and been awarded Capitalization Grants for the Drinking Water Program for federal fiscal years 1997 through 2010. The Department also intends to apply for all future Clean Water Capitalization Grants and Drinking Water Capitalization Grants, if such grants are funded by the Federal Government. See “North Dakota State Revolving Funds - Federal Capitalization Grants” herein. The Authority funds the required State Match from Bond proceeds. Not more than \$4,000,000 is initially designated to provide for the State Match with respect to capitalization grants under the Clean Water Program and not more than \$4,000,000 is initially designated to provide for the State Match with respect to capitalization grants under the Drinking Water Program.

The Department and the Authority have entered into administrative agreements (the “Administrative Agreements”), dated as of September 15, 1990 for the Clean Water Program and June 23, 1997 for the Drinking Water Program, whereby the Authority has agreed to provide financial services to assist in the implementation of the State Revolving Fund Programs. Capitalization Grants received by the Department pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Control Act of 1987 (the “Clean Water Act”) and the Federal Safe Drinking Water Act of 1974, as amended by the Safe Drinking Water Act Amendments of 1996 (the “Drinking Water Act”), are to be deposited in certain separate designated accounts under the Master Trust Indenture constituting the State Revolving Funds and used, together with Bond proceeds as described herein, to make loans (the “Loans”) to political subdivisions or other entities (the “Borrowers”) eligible to receive Loans under the CWSRF Act or the DWSRF Act or to secure Bonds. The Bonds to be issued from time to time under the Master Trust Indenture are to provide funds for Loans under the Programs and to provide for costs of issuance and certain other purposes. Additional loans will be made from the proceeds of the Capitalization Grants and other funds available under the Programs. The Loans will be evidenced through loan agreements (the “Loan Agreements”) and municipal securities (the “Municipal Securities”) issued by the Borrowers and purchased by the Authority. Information pertaining to certain Borrowers which have issued or are expected to issue Municipal Securities to the Authority which constitute 10% or more of the total loan balance of both State Revolving Fund Programs is set forth in Appendix A.

The Authority originally provided financing for the Clean Water Program pursuant to a separate indenture, beginning with the issuance of its State Revolving Fund Program Bonds, Series 1990 (which have been subsequently defeased). In 1998, the Authority entered into a new master trust indenture which allowed the Authority to finance the Clean Water Program and the Drinking Water Program on a consolidated basis such that, while debt service obligations related to the Clean Water Program are to be payable primarily from the Clean Water SRF and debt service obligations related to the Drinking Water Program are to be payable primarily from the Drinking Water SRF, certain excess revenues of each State Revolving Fund are to be available on a subordinate basis to the other State Revolving Fund to the extent necessary to meet any deficiencies with respect to the payment of principal of or interest on Bonds. The Master Trust Indenture incorporates the 1998 indenture and subsequent amendments. See “The North Dakota Public Finance Authority – Outstanding Debt of the State Revolving Fund Program” herein for a description of the outstanding Bonds under the Master Trust Indenture.

As a result of certain federal restrictions on the use of particular funds in the State Revolving Funds, the Master Trust Indenture provides for each payment of principal of and interest on the Bonds of each series to be divided into a “Clean Water Portion” and a “Drinking Water Portion” in proportion to the amount of proceeds of the series of Bonds deposited in the Clean Water SRF and the Drinking Water SRF, respectively, and for each of the Clean Water Portion and the Drinking Water Portion to be divided into a State Match Portion and Leveraged Portion in proportion to the amounts of Bond proceeds allocated to such State Revolving Fund which are deposited in the State Match Loan Account and Leveraged Loan Account, respectively, of such Fund. Accordingly, each payment of principal and interest on each series of Bonds may have a “Clean Water State Match Portion”, a “Drinking Water State Match Portion,” a “Clean Water Leveraged Portion” and a “Drinking Water Leveraged Portion”.

Additionally, as a result of certain federal restrictions, the Master Trust Indenture provides for the division of revenues into different categories, such as segregating Borrower principal and interest repayments, corresponding to permitted uses and priority of uses. Thus, the different portions of Bonds may be payable from only certain portions of the revenues deposited under the Master Trust Indenture, or the use of certain portions of the revenues may be subject to certain conditions or priorities.

The Leveraged Portions and the State Match Portions of debt service are payable from certain monies deposited in specified funds and accounts held by the Trustee under the Master Trust Indenture within each of the Clean Water SRF and the Drinking Water SRF. Interest payments on the Municipal Securities and interest earnings on invested funds within each of the Clean Water SRF and Drinking Water SRF are generally available to pay both the State Match Portions and the Leveraged Portions. Only interest earnings on the Capitalization Grants deposited into the Federally Capitalized Loan Account and interest payments on the Municipal Securities may be used for the payment of the State Match Portions. The Series 2011A Bonds have been structured in such a manner that estimated payments on the Municipal Securities and estimated interest earnings on the various funds will be sufficient to pay both the Leveraged Portions and the State Match Portions of the Series 2011A Bonds and other outstanding Bonds

when due and to provide a minimum of 120% debt service coverage. There can be no assurance, however, that estimated payments will be realized.

The Bonds are issued under authority of the CWSRF Act, the DWSRF Act and the North Dakota Public Finance Authority Act, North Dakota Century Code Chapter 6-09.4 (the "Authority Act"). The Industrial Commission, the agency of the State having authority over all matters pertaining to the Authority, including the issuance of bonds, has authorized the issuance of the Series 2011A Bonds. The Bonds are obligations of the Authority payable primarily from the revenues and funds and accounts hereinafter described and are not a debt or liability of the State or secured by the full faith and credit or taxing powers of the State. The Authority has other programs whose assets and revenues are not pledged to payment of the Series 2011A Bonds. See "Sources of Payment and Security," "Summary of Certain Provisions of the Master Trust Indenture" and "The Industrial Commission of North Dakota" herein.

The Authority is an instrumentality of the State, operated, managed and controlled by the Industrial Commission. The Bonds do not constitute a debt of the Industrial Commission and are not secured by or payable from any assets of the Industrial Commission. See "The North Dakota Public Finance Authority" herein.

NORTH DAKOTA STATE REVOLVING FUNDS

General

The Clean Water Program was created by the State in 1990 to implement provisions of the Clean Water Act. The Clean Water Act authorized the U.S. Environmental Protection Agency (the "EPA") to make Capitalization Grants to states for the purpose of establishing water pollution revolving funds to be used, among other things, in financing the construction of wastewater treatment facilities and certain other activities. The Clean Water State Revolving Fund created under the Clean Water Program satisfies the criteria of the Clean Water Act and entitles North Dakota to receive Capitalization Grants from the EPA for wastewater treatment facility construction and certain other activities. The Clean Water State Revolving Fund has been and may be funded with proceeds of Capitalization Grants from the EPA through the Automated Clearing House Payment System (see "Sources of Funds for Loans" herein), proceeds of Bonds issued by the Authority under the Master Trust Indenture, and loan repayments received pursuant to the Municipal Securities.

The Drinking Water Program was created by the State in 1997 to implement provisions of the Drinking Water Act. The Drinking Water Act authorized the EPA to make Capitalization Grants to states for the purpose of establishing drinking water revolving funds to be used, among other things, for improvements to public water systems which facilitate compliance with national primary drinking water regulations and certain other activities. The Drinking Water State Revolving Fund created under the Drinking Water Program satisfies the criteria of the Drinking Water Act and entitles North Dakota to receive Capitalization Grants from the EPA for public water system projects and certain other activities. The Drinking Water State Revolving Fund has been and may be funded with proceeds of Capitalization Grants from the EPA through the Automated Clearing House Payment System, proceeds of Bonds issued by the Authority under the Master Trust Indenture, and loan repayments received pursuant to the Municipal Securities.

The Programs are jointly administered by the Authority and the Department under the respective Administrative Agreements. The Authority is responsible for reviewing and assessing the financial capacity of Borrowers in connection with Loan applications, arranging financing for Program activities and accounting for the Loans, their repayments and investment of Program funds. The Department is responsible for the ongoing operation of the Programs, monitoring construction progress of wastewater treatment and drinking water facilities financed by the Programs and evaluating Loan applications made by prospective Borrowers for compliance with requirements of the Clean Water Act, the Drinking Water Act, the CWSRF Act and the DWSRF Act. In addition, under the DWSRF Act, the Department is required to obtain the approval of the State Water Commission with respect to the administration and disbursement of funds.

Loans

The Authority and each Borrower obtaining a Loan under the State Revolving Fund Programs will enter into a Loan Agreement wherein the Authority agrees to purchase certain Municipal Securities and the Borrowers agree to pay certain costs, and to comply with certain covenants with respect to the Municipal Securities. Pursuant to the Loan Agreements the Authority will agree to purchase specified Municipal Securities, and the Borrowers will agree to pay certain amounts, including administrative fees, as long as the Authority is the owner of the Municipal Securities. The Loan Agreements also may contain certain covenants relating to the tax-exempt status of interest on the Municipal Securities and the provision of annual or biennial audited financial statements of the Borrowers.

The Programs provide for Loans to be made from the State Revolving Funds at or below market interest rates and to be fully amortized within twenty (20) years of the date of completion of the project financed. Accordingly, Loan terms may be 21 years or more depending on the anticipated length of the construction period. All Loans must be repaid from a dedicated source of revenue. The interest rate on the Loans may vary. Loans previously made under the Program bear interest at rates between 0.5% and 3.5% per annum.

Each Borrower receiving a Loan will be required to enter into a Loan Agreement with the Authority obligating the Borrower to repay the Loan and interest thereon and pay an administrative fee in addition to interest, which administrative fee is currently one-half of one percent annually on the outstanding Loan balance. The Borrowers will evidence their obligations under the Loan Agreements by issuing Municipal Securities which are generally sewer or water revenue obligations, reserve revenue obligations (as hereinafter described) or special assessment obligations which will be purchased by the Authority. Any Loan Agreement relating to Municipal Securities which are payable solely from a Borrower's sewer or water revenues will require that such Borrower maintain sewer or water rates which produce annual net sewer or water revenues after expenses equal to 120% of the Borrower's debt service obligations under the Municipal Securities and under any other sewer or water utility debt ranking on a parity with the Municipal Securities. Such rate covenant will not apply to a Borrower whose Loan is secured by a general obligation pledge or special assessments or to reserve revenue obligations which may be issued by certain home rule cities under which such cities pledge their taxing powers to maintain a reserve for the obligations. There is no assurance that the Borrowers will pay principal of and interest on the Loans when due. Most of the Loans purchased under the Programs are expected to be special assessment obligations payable from assessments levied against the benefited real property or revenue obligations payable solely from the net revenues of particular municipal sewer or water systems. Most of the Loans are not directly payable from tax levies. Since the inception of the State Revolving Fund Programs, no payment of loan principal or interest to the Authority has ever been delinquent.

In the case of Loans to Borrowers which are not governmental units, the form of required security will be based on various considerations, including the form of security required by other lenders on loans to such Borrowers, the nature of the Borrowers' unencumbered assets and other factors. It is generally expected that the Loans will be secured by a mortgage or security interest in some portion of such Borrowers' systems or systems revenues. Currently, all Borrowers are governmental units.

As of April 30, 2011, the total authorized principal amount of outstanding closed loans under the Programs is \$454,361,402, while the total amount of Loans approved but not closed under the Programs is \$6,875,979. The grand total of all closed and approved Loans is \$461,237,381. As of April 30, 2011 the total outstanding balance of closed loans was \$354,930,474. For detailed information regarding closed and approved Loans, see Appendix B – "Clean Water and Drinking Water SRF Loans." The Authority expects, but is not required, to enter into a Loan Agreement with each Borrower listed in the tables in Appendix B.

Additional Loans

The Department has identified additional qualified projects in its Intended Use Plan for each State Revolving Fund Program. The Authority anticipates making loans in the future to Borrowers shown in the Intended Use Plans and to other Borrowers which have not yet been identified. Prospective Borrowers identified here and in the Intended Use

Plan have contacted the Department and/or the Authority with respect to possible Loans but are not obligated to take, and have not been approved for Loans.

Loan Review Process

The Department and the Authority will select Borrowers for loan eligibility in the Programs based upon each Borrower's need for new or improved wastewater treatment facilities, drinking water facility improvements or other eligible facilities, each Borrower's ability to commence construction of its facility within the time frame mandated by the Program, and each Borrower's ability to impose sewer or water utility rates or levy special assessments at a level sufficient to repay the Loan and interest thereon. Applicants for financing under each Program will be reviewed annually and the Department will prepare an Intended Use Plan for each Program for each fiscal year identifying Borrowers which will be eligible for financing under the Programs.

The Authority has established credit underwriting standards (the "Credit Standards") for reviewing Borrowers eligible for Program financing. The Credit Standards include review of three general areas, with a different emphasis on certain factors within these areas depending upon the nature of the underlying security for the Municipal Securities to be issued. The Authority reserves the right to analyze prospective Borrowers on a case-by-case basis for compliance with the Credit Standards. The Authority also reserves the right to revise the Credit Standards without Bondholders' consent and to waive the Credit Standards applied to Borrowers applying for participation in each Program. For further information relating to the Credit Standards, refer to "The North Dakota Public Finance Authority - Credit Review" herein.

Sources of Funds for Loans

The Master Trust Indenture establishes three accounts within the Loan Fund for each State Revolving Fund for making Loans to Borrowers: the State Match Loan Account, the Federally Capitalized Loan Account and the Leveraged Loan Account. The State Match Loan Accounts are expected to be funded from proceeds of Bonds. Under applicable EPA regulations, the State of North Dakota is required to provide a match equal to 20% of the amount of the Capitalization Grants. The Federally Capitalized Loan Accounts will consist of (1) proceeds of draws under the EPA Automated Clearing House Payment System (the "EPA-ACH") which are not deposited in the Reserve Funds, (2) any transfers from the Restricted Reserve Accounts of the Reserve Funds and (3) any other available funds transferred to originate Loan draws. The Leveraged Loan Accounts are funded from the proceeds of any bonds issued for that purpose. Loans to Borrowers can be made from any available funds in the State Match Loan Account, the Leveraged Loan Account or the Federally Capitalized Loan Account of each State Revolving Fund in such proportions as the Authority may determine. For future Loans, the relative proportions in which Loans are made from Bond and Capitalization Grant proceeds will depend primarily on the Department's estimate of the availability of future Capitalization Grants, the funding needs of the Programs and the rate of interest at which the Loans are to be made.

The Capitalization Grants will be paid to the Department through the EPA-ACH. The EPA-ACH provides the Department with the ability to draw monies periodically for purposes permitted under the Clean Water Act and Drinking Water Act as eligible costs of projects funded under the Programs are incurred. For each dollar of eligible costs incurred, approximately 83 cents may be drawn through the EPA-ACH under the respective State Revolving Fund, subject to the limits of the Capitalization Grant. The Authority, under the terms of the Administration Agreements, has pledged the proceeds of draws on the EPA-ACH to the Trustee under the Master Trust Indenture. Such proceeds may be deposited either in the Federally Capitalized Loan Account of the Loan Fund or the Restricted Reserve Account of the Reserve Fund of each State Revolving Fund, as determined by the Authority.

The Authority will use monies received from Capitalization Grants for the Clean Water SRF and monies received from Capitalization Grants for the Drinking Water SRF to pay a portion of allowable administrative activities, and the balance will be deposited in the Federally Capitalized Loan Account of each Loan Fund. Amounts in the Federally Capitalized Loan Accounts are expected to be used from time to time to make additional Loans to qualified Borrowers.

Clean Water and Drinking Water SRF Capitalization Grants

Table 1 below presents the Capitalization Grants for federal fiscal years 1989 through 2011 (information as of May 23, 2011).

Table 1
Capitalization Grants

Federal Fiscal Year	Clean Water SRF			Drinking Water SRF		
	Grant Award Amount⁽¹⁾	Amount of Grant Drawn	Amount of Grant to Be Drawn	Grant Award Amount⁽¹⁾	Amount of Grant Drawn	Amount of Grant to Be Drawn
1989	\$ 4,577,200	\$ 4,577,200	\$ --	\$ --	\$ --	\$ --
1990	4,738,000	4,738,000	--	--	--	--
1991	10,074,800	10,074,800	--	--	--	--
1992	9,534,900	9,534,900	--	--	--	--
1993	9,431,000	9,431,000	--	--	--	--
1994	5,813,800	5,813,800	--	--	--	--
1995	6,007,800	6,007,800	--	--	--	--
1996	9,904,700	9,904,700	--	--	--	--
1997	2,990,500	2,990,500	--	12,558,800	12,558,800	--
1998	6,577,300	6,577,300	--	7,121,300	7,121,300	--
1999	6,577,900	6,577,900	--	7,463,800	7,463,800	--
2000	6,555,200	6,555,200	--	7,757,000	7,757,000	--
2001	6,496,100	6,496,100	--	7,789,100 ⁽⁴⁾	7,789,100	--
2002	6,510,800	6,510,800	--	8,052,500 ⁽⁵⁾	8,052,500	--
2003	6,467,800	6,467,800	--	8,004,100	8,004,100	--
2004	6,471,800	6,471,800	--	8,303,100	8,303,100	--
2005	5,243,500	5,243,500	--	8,285,500	8,285,500	--
2006	4,724,750	4,724,750	--	8,228,900	8,228,900	--
2007	4,724,750	4,724,750	--	8,229,000	8,229,000	--
2008	3,274,300	3,274,300	--	8,146,000	8,146,000	--
2009	3,274,300	3,274,300	--	8,146,000	8,146,000	--
ARRA	16,639,100 ⁽²⁾	15,602,365	1,036,735	22,100,000	19,019,229	3,080,771
2010	10,002,000	23,311	9,978,689	13,573,000	1,355,576	12,217,424
2011	<u>7,222,000⁽³⁾</u>	--	<u>7,222,000</u>	<u>9,268,000⁽³⁾</u>	--	<u>9,268,000</u>
Total	<u>\$163,834,300</u>	<u>\$145,596,876</u>	<u>\$18,237,424</u>	<u>\$153,026,100</u>	<u>\$128,459,905</u>	<u>\$24,566,195</u>

(1) Gross amount of award.

(2) \$2,600,000 was transferred to the Drinking Water SRF.

(3) Appropriated, but not yet awarded.

(4) \$602,933 was transferred to the Clean Water SRF.

(5) \$7,730,400 was transferred to the Clean Water SRF.

The Drinking Water Act allows up to 33% of the amount of a state's annual Capitalization Grant and corresponding State Match for drinking water to be transferred at the direction of the Governor to a state's clean water revolving fund, or an equivalent dollar amount to be transferred from a state's clean water revolving fund to a state's drinking water revolving fund. As of June 1, 2011, the Authority has transferred \$10,933,333 of its Capitalization Grants and \$1,666,667 of its State Match from the Drinking Water SRF to the Clean Water SRF. The Master Trust Indenture authorizes the transfer of certain surplus funds from one State Revolving Fund to the other, subject to applicable limits and EPA approval. As of April 30, 2011, the Authority has transferred an aggregate amount of \$22,577,672 of surplus Clean Water SRF funds to the Drinking Water SRF, and it is expected that additional similar transfers may be made. These transfers have afforded the Clean Water SRF and Drinking Water SRF greater flexibility in the administration of funds.

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

Current Account Balances

The Master Trust Indenture requires the Authority to have audited financial statements for each fiscal year ending December 31 prepared and on file on or before April 1 of each year. These audited financial statements are filed annually with EMMA and are incorporated by reference. The 2010 audited financial statements are also available at the offices of the Authority and the Authority’s website. Unaudited fund balances for the Clean Water and Drinking Water SRF Programs as of April 30, 2011 are as follows:

Table 2
Unaudited Fund Balances
(As of April 30, 2011)

<u>Fund</u>	<u>Clean Water</u>	<u>Drinking Water</u>
Reserve Fund:		
Restricted Reserve Account	\$ 6,327,585.32	\$ 4,969,473.84
Special Reserve Account	2,818,517.95	2,116,694.41
Unrestricted Reserve Account	148,816.07	547,913.59
Loan Fund:		
Federally Capitalized Loan Account	24,850,562.46	16,232,270.31
Outstanding Loan Balances	184,783,399.00	170,147,175.00
Revenue Fund:		
Unrestricted Revenue Account	4,827,340.28	4,304,796.19
Restricted Revenue Account	31,331.52	5,266,113.65
Unrestricted Cumulative Excess Revenue Account	2,790,542.47	5,476,463.02
Restricted Cumulative Excess Revenue Account	<u> --</u>	<u>8,709,386.83</u>
Total	<u>\$226,578,095.07</u>	<u>\$217,770,286.84</u>

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PLAN OF FINANCE

The Series 2011A Bonds are being issued pursuant to the CWSRF Act, the DWSRF Act, the Authority Act, the Master Trust Indenture and the 2011A Series Resolution.

Proceeds of the Series 2011A Bonds will be used to make loans to the Borrowers through the purchase of certain obligations issued by such Borrowers for use in connection with the financing or refinancing of water pollution control and drinking water projects, as described herein; to refund certain portions of the Series 2001A Bonds and the Series 2003A Bonds and to pay costs of issuance related to the Series 2011A Bonds.

Following is a list of maturities and amounts of the Refunded Bonds:

<u>Series</u>	<u>Maturity</u>	<u>Amount Outstanding</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Par Amount of Bonds to be Called</u>
Series 2001A	2012	\$ 2,080,000	10/01/11	100%	\$ 2,080,000
	2013	2,220,000	10/01/11	100%	2,220,000
	2014	2,260,000	10/01/11	100%	2,260,000
	2015	1,130,000	10/01/11	100%	1,130,000
	2016	600,000	10/01/11	100%	600,000
	2017	630,000	10/01/11	100%	630,000
	2018	660,000	10/01/11	100%	660,000
	2019	695,000	10/01/11	100%	695,000
	2020 ⁽¹⁾	725,000	10/01/11	100%	725,000
	2021 ⁽¹⁾	765,000	10/01/11	100%	765,000
	Series 2003A	2015	1,330,000	10/01/13	100%
2016		1,395,000	10/01/13	100%	1,395,000
2017		1,465,000	10/01/13	100%	1,465,000
2018		1,535,000	10/01/13	100%	1,535,000
2019		1,615,000	10/01/13	100%	1,615,000
2020		1,690,000	10/01/13	100%	1,690,000
2021 ⁽²⁾		1,780,000	10/01/13	100%	1,580,000
2022 ⁽²⁾		<u>1,865,000</u>	10/01/13	100%	<u>1,365,000</u>
Total		<u>\$24,440,000</u>			<u>\$23,540,000</u>

⁽¹⁾ Represents sinking fund maturities for the \$1,490,000 term bond with a final maturity in 2021.

⁽²⁾ The Authority is partially refunding the Series 2003 Bonds maturing in 2021 and 2022.

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SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of funds available to finance the Loans to be made from the proceeds of the Series 2011A Bonds:

Table 3

	<u>Clean Water SRF</u>	<u>Drinking Water SRF</u>	<u>Total</u>
<u>Sources:</u>			
Series 2011A Bonds	\$48,030,792.00	\$53,179,208.00	\$101,210,000.00
Funds on Hand	468,753.39	395,482.76	864,236.15
Net Original Issue Premium/(Discount)	<u>5,558,488.42</u>	<u>6,192,449.43</u>	<u>11,750,937.85</u>
Total Sources of Funds	<u>\$54,058,033.81</u>	<u>\$59,767,140.19</u>	<u>\$113,825,174.00</u>
<u>Uses:</u>			
State Match Loan Account	\$ 3,840,000.00	\$ 4,000,000.00	\$ 7,840,000.00
Leveraged Loan Account	20,500,000.00	19,500,000.00	40,000,000.00
SRF Administration Account (State Match)	160,000.00	--	160,000.00
Federally Capitalized Loan Accounts (Reimbursement)	19,500,000.00	20,500,000.00	40,000,000.00
Refunding Escrow Account	9,745,809.15	15,423,000.64	25,168,809.79
Costs of Issuance	120,103.69	133,216.70	253,320.39
Underwriters' Discount	<u>192,120.97</u>	<u>210,922.85</u>	<u>403,043.82</u>
Total Uses of Funds	<u>\$54,058,033.81</u>	<u>\$59,767,140.19</u>	<u>\$113,825,174.00</u>

In addition the Clean Water SRF and Drinking Water SRF will receive the Capitalization Grant proceeds from draws under the EPA-ACH as amounts are advanced to the Borrowers under the Loan Agreements. The Master Trust Indenture provides that the Executive Director may, at any time within three years after issuance, reallocate Bond proceeds among the Funds and Accounts.

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SOURCES OF PAYMENT AND SECURITY

General

The principal sources of payment and security for the Bonds are the revenues derived from payments of principal of and interest on the Municipal Securities evidencing the Loans to be made with Capitalization Grants and proceeds of the sale of Bonds, amounts on deposit in certain funds and accounts established under the Master Trust Indenture and earnings thereon.

The Series 2011A Bonds are issued on parity with the Outstanding Clean Water Bonds, the Outstanding Drinking Water Bonds and all other Bonds to be issued by the Authority under the Master Trust Indenture (except for limited sources of payment available for the Clean Water State Match Portion and the Drinking Water State Match Portion and the benefits of the Reserve Funds and any legislative appropriations to replenish Reserve Fund deficiencies). They are not in any way a debt or liability of the State of North Dakota, the Industrial Commission or any political subdivision of the State. **The Series 2011A Bonds are obligations of the Authority and, although payable from any legally available monies of the Authority, the Authority has no taxing power and no significant assets available other than the funds and accounts specifically pledged to the Bonds under the Master Trust Indenture.**

The Series 2011A Bonds and all other Bonds issued under the Master Trust Indenture will be payable from and secured by:

1. Revenues from, and the Authority's interest in, Municipal Securities purchased under the Programs;
2. A first lien on the pledge of the monies, securities and investments in the Bond Funds, the Revenue Funds, the Administration Funds and the Loan Funds created and maintained under the Master Trust Indenture for the Clean Water SRF and Drinking Water SRF; and
3. Any other legally available funds of the Authority.

The Outstanding Clean Water Bonds and Outstanding Drinking Water Bonds, but not the Series 2011A Bonds, are also entitled to the benefits of the Reserve Funds. To the extent such sources may be applied to particular portions of the debt service under the Master Trust Indenture, the Master Trust Indenture provides that moneys in any fund, account or subaccount therein relating to the Clean Water SRF shall be held separate and apart from moneys in any fund, account or subaccount therein relating to the Drinking Water SRF. To accomplish this, separate accounts and subaccounts in the various funds are maintained for Clean Water SRF moneys and Drinking Water SRF moneys. See "SOURCE OF PAYMENT AND SECURITY - Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF."

Consistent with federal regulations applicable to the State Revolving Fund Programs however, the monies in the Leveraged Loan Accounts of the Loan Funds, the Federally Capitalized Loan Accounts of the Loan Funds, the SRF Administration Accounts of the Administration Funds, the Restricted Revenue Accounts of the Revenue Funds, the Leveraged Bond Accounts of the Bond Funds and the Restricted Reserve Accounts of the Reserve Funds (other than interest earnings on these funds) will not be used to pay principal of and interest on the State Match Portions of any Bonds.

Revenues and Other Available Monies

The Master Trust Indenture provides that all payments of principal of the Municipal Securities evidencing Clean Water SRF Loans shall be deposited in the Restricted Revenue Account of the Clean Water Revenue Fund and that all payments of principal of the Municipal Securities evidencing Drinking Water SRF Loans shall be deposited in the Restricted Revenue Account of the Drinking Water Revenue Fund. Amounts in the Restricted Revenue Accounts are transferred as necessary to the Leveraged Bond Accounts of the Clean Water Bond Fund and Drinking

Water Bond Fund, respectively, and applied to the payment of the Leveraged Portions of debt service on the Bonds on each payment date.

The Master Trust Indenture provides that all payments of interest on the Municipal Securities evidencing Clean Water SRF Loans shall be deposited in the Unrestricted Revenue Account of the Clean Water Revenue Fund and that all payments of interest on the Municipal Securities evidencing Drinking Water SRF Loans shall be deposited in the Unrestricted Revenue Account of the Drinking Water Revenue Fund. Amounts in the Unrestricted Revenue Accounts are transferred as necessary to the State Match Bond Accounts of the Clean Water Bond Fund and Drinking Water Bond Fund, respectively, and applied to the payment of the State Match Portions of debt service on the Bonds on each payment date and may also be transferred, if necessary, to the Leveraged Bond Accounts in order to pay any part of the Leveraged Portions of debt service on the Bonds which is not provided by transfers from the Restricted Revenue Accounts.

Investment earnings on all funds and accounts under the Clean Water SRF may be transferred to the Unrestricted Revenue Account of the Clean Water Revenue Fund at the direction of the Authority and investment earnings on all funds and accounts under the Drinking Water SRF may be transferred to the Unrestricted Revenue Account of the Drinking Water Revenue Fund at the direction of the Authority.

Funds are retained within the proper account of either Revenue Fund until an amount equal to one-half of the principal payable in the next six-month period is accumulated.

Tables 4 and 5 set forth the estimated revenues and debt service of the Programs as of the issuance of the Series 2011A Bonds. The tables are based upon the assumptions set forth in the footnotes presented below each respective table. While the Authority believes that these assumptions are reasonable, there can be no assurance that actual amounts received or coverage will equal the amounts set forth in the tables and the variations may be material. The tables do not take into consideration prospective defaults on existing Loans, the issuance of Additional Bonds, the making of additional Loans (other than those expected to be made with the proceeds of Outstanding Bonds), a change in the creditworthiness of the Borrowers, a default in any investment, investment losses, changes in investment income available upon reinvestment, or other factors.

The Authority also anticipates making future Loans from amounts currently invested in guaranteed investment contracts or other investments. Since the rate of interest on Loans is less than the rate of interest on these investments, revenues available to pay debt service and debt service coverage on the State Match Portions, will be less than is shown on such table by an amount relating to the amount and timing of when such Loans are made.

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Table 4
Clean Water State Revolving Fund Financial Position
Projected Coverage

<u>Payment Date</u>	<u>State Match Bond Debt Service</u>	<u>Loan Interest Repayments</u>	<u>Interest Earnings⁽¹⁾</u>	<u>State Match Coverage</u>	<u>Leveraged Bond Debt Service</u>	<u>Available for Leveraged Bonds⁽²⁾</u>	<u>Loan Principal Repayments⁽³⁾</u>	<u>Leveraged Loan Coverage⁽⁴⁾</u>	<u>Total Bond Debt Service</u>	<u>Total Receipts</u>	<u>Total Coverage</u>
2011	\$2,996,454	\$2,374,408	\$ 1,873,417	1.42x	\$5,829,712	\$13,872,905	\$12,621,534	2.38x	\$ 8,826,166	\$16,869,359	1.91x
2012	3,296,509	4,432,746	1,904,128	1.92x	7,990,803	16,100,906	13,060,540	2.01x	11,287,312	19,397,414	1.72x
2013	3,332,792	5,205,358	2,192,121	2.22x	8,337,626	19,096,599	15,031,912	2.29x	11,670,418	22,429,390	1.92x
2014	3,320,812	4,828,520	2,748,612	2.28x	8,290,751	19,295,825	15,039,505	2.33x	11,611,563	22,616,637	1.95x
2015	3,010,359	4,452,432	3,210,786	2.55x	7,549,187	19,344,897	14,692,038	2.56x	10,559,547	22,355,257	2.12x
2016	2,828,017	4,084,841	3,805,994	2.79x	7,217,308	19,831,704	14,768,886	2.75x	10,045,325	22,659,721	2.26x
2017	2,830,642	3,715,159	4,506,042	2.90x	7,215,889	19,281,725	13,891,167	2.67x	10,046,531	22,112,368	2.20x
2018	2,109,361	3,367,230	4,593,746	3.77x	5,524,763	19,463,482	13,611,867	3.52x	7,634,125	21,572,843	2.83x
2019	2,109,340	3,026,073	5,336,952	3.96x	5,521,955	18,741,890	12,488,205	3.39x	7,631,295	20,851,230	2.73x
2020	1,828,147	2,712,568	5,940,471	4.73x	4,132,685	18,424,857	11,599,965	4.46x	5,960,832	20,253,004	3.40x
2021	1,838,806	2,420,729	6,699,012	4.96x	4,132,652	18,893,419	11,612,484	4.57x	5,971,458	20,732,225	3.47x
2022	1,427,256	2,128,407	7,395,021	6.67x	3,025,953	18,463,187	10,367,015	6.10x	4,453,209	19,890,443	4.47x
2023	1,441,350	1,866,932	8,173,788	6.97x	3,024,448	18,491,783	9,892,413	6.11x	4,465,798	19,933,133	4.46x
2024	1,147,027	1,617,061	8,943,529	9.21x	3,025,811	19,469,998	10,056,435	6.43x	4,172,838	20,617,025	4.94x
2025	1,144,742	1,362,820	9,773,263	9.73x	3,025,470	20,161,778	10,170,437	6.66x	4,170,212	21,306,520	5.11x
2026	710,825	1,105,489	10,622,358	16.50x	3,024,561	20,876,701	9,859,679	6.90x	3,735,387	21,587,526	5.78x
2027	710,996	855,608	11,523,328	17.41x	3,025,129	21,252,862	9,584,922	7.03x	3,736,125	21,963,858	5.88x
2028	711,420	612,384	12,443,431	18.35x	3,024,561	20,774,278	8,429,882	6.87x	3,735,981	21,485,698	5.75x
2029	302,823	397,781	13,324,944	45.32x	3,024,902	20,473,669	7,053,767	6.77x	3,327,725	20,776,492	6.24x
2030	302,914	228,117	14,206,439	47.65x	3,025,811	17,347,240	3,215,598	5.73x	3,328,725	17,650,154	5.30x
2031	302,800	148,327	14,931,016	49.80x	3,024,675	17,838,262	3,061,719	5.90x	3,327,475	18,141,062	5.45x

(1) Interest earnings assumed at the respective bond yields.

(2) Includes Loan Interest Repayments and Interest Earnings less State Match Bond Debt Service.

(3) Consists of approved loans as of April 30, 2011 and loans expected to be made with the proceeds of the Series 2011A Bonds.

(4) Amounts invested in the Federally Capitalized Loan Account are not included in the coverage computation.

Table 5
Drinking Water State Revolving Fund Financial Position
Projected Coverage

<u>Payment Date</u>	<u>State Match Bond Debt Service</u>	<u>Loan Interest Repayments</u>	<u>Interest Earnings⁽¹⁾</u>	<u>State Match Coverage</u>	<u>Leveraged Bond Debt Service</u>	<u>Available for Leveraged Bonds⁽²⁾</u>	<u>Loan Principal Repayments⁽³⁾</u>	<u>Leveraged Loan Coverage⁽⁴⁾</u>	<u>Total Bond Debt Service</u>	<u>Total Receipts</u>	<u>Total Coverage</u>
2011	\$2,471,655	\$2,175,964	\$1,587,411	1.52x	\$ 4,766,944	\$10,737,395	\$ 9,445,675	2.25x	\$ 7,238,599	\$13,209,050	1.82x
2012	2,880,713	4,115,456	2,491,719	2.29x	7,119,641	13,487,721	9,761,259	1.89x	10,000,354	16,368,434	1.64x
2013	2,878,644	4,970,897	2,834,174	2.71x	7,331,680	16,574,118	11,647,691	2.26x	10,210,324	19,452,762	1.91x
2014	2,883,132	4,679,027	3,315,897	2.77x	7,354,258	17,073,308	11,961,516	2.32x	10,237,391	19,956,440	1.95x
2015	2,884,252	4,379,183	3,800,910	2.84x	7,903,993	17,567,056	12,271,214	2.22x	10,788,245	20,451,308	1.90x
2016	2,811,420	4,071,429	4,289,549	2.97x	7,904,922	18,171,789	12,622,231	2.30x	10,716,342	20,983,209	1.96x
2017	2,812,982	3,754,759	4,808,679	3.04x	7,910,028	18,683,367	12,932,911	2.36x	10,723,010	21,496,349	2.00x
2018	2,817,276	3,430,146	5,353,703	3.12x	7,921,666	19,260,175	13,293,601	2.43x	10,738,942	22,077,451	2.06x
2019	2,818,943	3,096,324	5,927,191	3.20x	7,920,547	19,814,122	13,609,550	2.50x	10,739,490	22,633,066	2.11x
2020	2,612,059	2,754,437	6,192,715	3.43x	7,036,069	20,297,800	13,962,708	2.88x	9,648,128	22,909,859	2.37x
2021	2,619,611	2,403,491	6,863,218	3.54x	7,039,559	19,834,223	13,187,125	2.82x	9,659,170	22,453,834	2.32x
2022	2,167,062	2,071,774	7,510,699	4.42x	7,041,044	19,165,665	11,750,255	2.72x	9,208,106	21,332,727	2.32x
2023	2,193,040	1,775,738	8,148,662	4.53x	7,100,984	18,658,512	10,927,151	2.63x	9,294,023	20,851,552	2.24x
2024	1,675,482	1,500,070	8,583,079	6.02x	5,894,505	18,871,838	10,464,171	3.20x	7,569,987	20,547,320	2.71x
2025	1,677,028	1,235,754	9,268,922	6.26x	5,897,554	19,273,820	10,446,171	3.27x	7,574,582	20,950,848	2.77x
2026	1,118,862	971,619	9,882,893	9.70x	4,665,877	19,804,362	10,068,711	4.24x	5,784,738	20,923,224	3.62x
2027	1,119,147	716,713	10,648,147	10.15x	4,666,903	17,850,566	7,604,852	3.82x	5,786,050	18,969,712	3.28x
2028	1,120,051	523,155	11,355,174	10.61x	4,668,268	17,344,436	6,586,158	3.72x	5,788,319	18,464,487	3.19x
2029	302,823	354,813	11,909,726	40.50x	3,024,902	16,968,409	5,006,693	5.61x	3,327,725	17,271,232	5.19x
2030	302,914	232,511	12,614,695	42.41x	3,025,811	15,994,815	3,450,523	5.29x	3,328,725	16,297,729	4.90x
2031	302,800	145,627	13,270,913	44.31x	3,024,675	16,067,458	2,953,719	5.31x	3,327,475	16,370,258	4.92x

(1) Interest earnings assumed at the respective bond yields.

(2) Includes Loan Interest Repayments and Interest Earnings less State Match Bond Debt Service.

(3) Consists of approved loans as of April 30, 2011 and loans expected to be made with the proceeds of the Series 2011A Bonds.

(4) Amounts invested in the Federally Capitalized Loan Account are not included in the coverage computation.

Limited Sources for Payment of State Match Portions

Under the Master Trust Indenture, each payment of principal of and interest on the Clean Water and Drinking Water Portions of debt service on the Bonds is divided between a State Match Portion and a Leveraged Portion. The State Match Portions are payable only from interest on Municipal Securities and any investment income earned on amounts on deposit in the various Funds and Accounts established under the Master Trust Indenture which are not required to be maintained therein or otherwise transferred under the terms of the Master Trust Indenture. Circumstances could arise under which sufficient funds are not available for payment in full of the State Match Portions of principal of and interest on the Bonds even though the aggregate amounts on deposit in the respective Funds and Accounts exceed the total amount of principal of and interest due on the respective Bonds. See “Summary of Certain Provisions of the Master Trust Indenture-Funds and Accounts” herein.

No Acceleration

The remedies available to the holders of the Series 2011A Bonds do not include a right of acceleration in the event of a default under the Master Trust Indenture.

Additional Bonds

Pursuant to the provisions of the Master Trust Indenture, additional Bonds may be issued on a parity with the Series 2011A Bonds, the Outstanding Clean Water Bonds or Outstanding Drinking Water Bonds (except in the case of refunding Bonds issued to pay principal or interest on Bonds for the payment of which sufficient funds are not expected to be available) if certain conditions are met including, but not limited to, the following: (a) a Coverage Certificate with supporting schedules, estimating that, as of each Bond Payment Date, (i) if the Bonds to be issued include a Drinking Water Portion, Projected Drinking Water Revenues available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Drinking Water Bond Fund will be sufficient to pay respectively the State Match Portion and the Leveraged Portion of the Drinking Water Portion of principal and interest due on each Bond Payment Date on all Bonds then Outstanding (except Bonds and interest thereon refunded from the proceeds of the Bonds to be issued) and the Drinking Water Portion of principal and interest on the Bonds to be issued, and (ii) if the Bonds to be issued include a Clean Water Portion, Projected Clean Water Revenues available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Clean Water Bond Fund will be sufficient to pay respectively the State Match Portion and the Leveraged Portion of the Clean Water Portions of principal and interest due on each Bond Payment Date on all Bonds then Outstanding (except the Clean Water Portions of the Bonds and interest thereon refunded from the proceeds of the Bonds to be issued) and the Clean Water Portion of principal and interest on the Bonds to be issued, and (b) a Coverage Certificate, with supporting schedules, estimating that, during each year that the Bonds to be issued are scheduled to be Outstanding, (i) if the Bonds to be issued include a Drinking Water Portion, Projected Drinking Water Revenue will be at least 120% of the Drinking Water Portion of principal and interest due in each such year on all then Outstanding and to be issued Bonds and (ii) if the Bonds to be issued include a Clean Water Portion, Projected Clean Water Revenue will be at least 120% of the Clean Water Portion of principal and interest due in each such year on all then Outstanding and to be issued Bonds. “Projected Clean Water Revenue” and “Projected Drinking Water Revenue” as of the date of a Coverage Certificate, means (i) the scheduled principal and interest payments on all Clean Water Municipal Securities or Drinking Water Municipal Securities, as the case may be, held by the Trustee or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal and interest on Municipal Securities which (a) are then in Default in the payment of principal or interest or (b) failed to meet the Credit Standards in effect at the time the Municipal Securities were acquired and, if a revenue obligation payable from net revenues of a utility, also failed to meet the coverage requirement of the applicable Credit Standards during both of the last two complete fiscal years, and (ii) the amount which the Executive Director estimates will be received on investments of all other amounts then held or expected to be deposited in any Clean Water fund or account or Drinking Water fund or account, as the case may be, under the Master Trust Indenture, including amounts which are reasonably expected to be drawn under the EPA-ACH.

Unknown Future Participants and Credit Standard Changes

The Master Trust Indenture is an “open indenture” which authorizes the issuance of Additional Bonds and lending the proceeds thereof and other funds to Borrowers to be identified in the future. The Authority expects to make additional Loans in amounts and at interest rates which have not yet been determined and whose credit quality cannot be predicted. Although Additional Bonds are authorized only if sufficient Municipal Securities meet the Credit Standards, the Credit Standards may be changed or waived at the discretion of the Authority.

Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF

In the event on any Bond Payment Date amounts available in the funds and accounts with respect to either the Clean Water SRF or the Drinking Water SRF are insufficient to pay their respective portion of principal of or interest on Bonds then due and payable, the Trustee shall transfer to the deficient Bond Fund an amount sufficient to remedy such deficiency from the following sources in the following order:

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

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

In the event funds are at anytime transferred from one State Revolving Fund to the other, the State Revolving Fund from which the transfer was made shall reimburse to such State Revolving Fund the amounts so advanced, on a basis subordinate to the payments of debt service obligations of the State Revolving Fund from which the transfer was made. Such reimbursement shall be made only from funds on deposit in the Restricted Cumulative Excess Subaccount or the Unrestricted Cumulative Excess Subaccount, and from other Excess Unrestricted Revenues of the State Revolving Fund which received the transferred funds.

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

Prospective Master Trust Indenture Amendment

Purchasers of the Series 2011A Bonds are deemed to consent to an amendment to Section 12.01 of the Master Trust Indenture which, if approved by the holders of two-thirds of the outstanding Bonds, would permit the adoption of future amendments to the Master Trust Indenture without Bondholder consent.

The amendment adds a new subsection (l) to Section 12.01 which would permit one or more supplemental indentures that, when effective, would amend or modify any provisions of this Master Trust Indenture if, in the judgment of the Executive Director, the rating then in effect on any Outstanding Bonds from each Rating Agency immediately preceding the time such supplemental indenture becomes effective will be maintained or improved after such supplemental indenture becomes effective. For this purpose, the Executive Director must certify its judgment to the Trustee, and such judgment will be based upon the written ratings report or other written evidence provided by each Rating Agency. In addition, each rating will be defined by reference only to the major letter category and any plus (+) or minus (-) designation or similar numerical designation (and without any further designation within a rating category whether now or hereafter used by a Rating Agency).

The approval of the amendment will require the consent of holders of Outstanding Bonds in addition to the Series 2011A Bonds or the redemption or payment at maturity of Outstanding Bonds to be effective. Upon the issuance of the Series 2011A Bonds, holders of approximately 46% of the then Outstanding Bonds will have consented to the amendments.

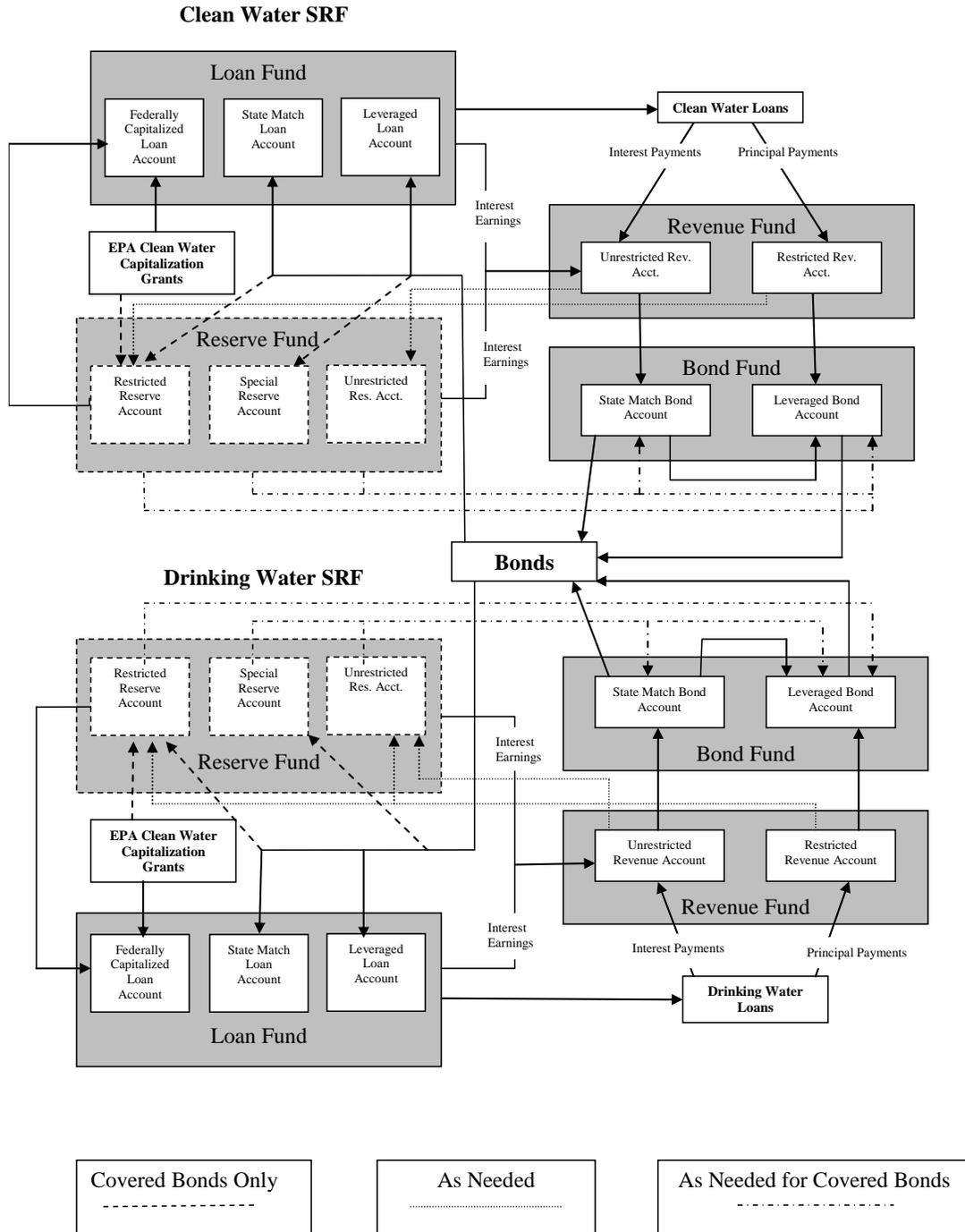
The scope of the amendments allowed by the proposed new Section 12.01(l) is not limited provided that the then current rating on the Bonds is maintained, except that Bondholder consent would still be required for all amendments currently requiring consent of the holders of 100% percent of the Bonds.

The Authority is also amending other provisions of the current Master Indenture, which amendments do not require consent of Bondholders and will be effective upon execution of the Master Trust Indenture. Such amendments are reflected in the summary of the Master Indenture set forth in Appendix C to this Official Statement to the extent any affect summarized provisions.

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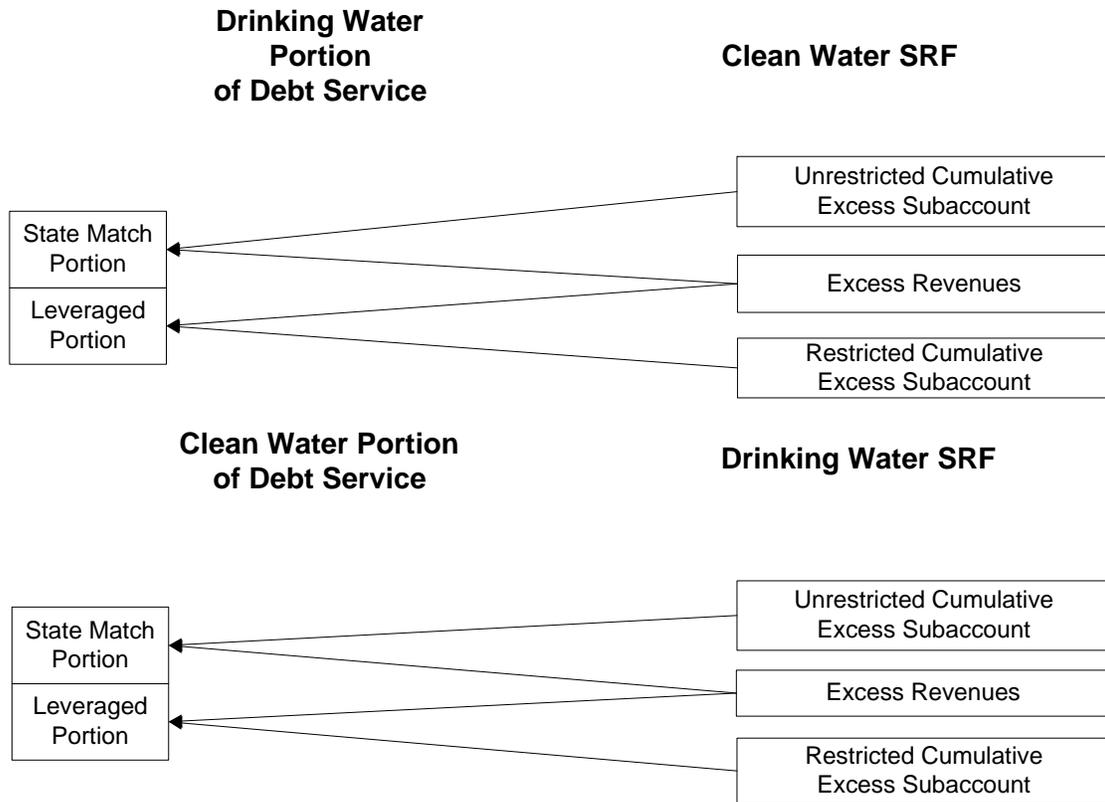
FLOW OF FUNDS

Presented below is a summary flow of funds chart for the Programs. This chart is representative of the Programs as a whole. Not all funds and accounts may be within the flow of funds for each issuance of Bonds, as not all Bonds are issued for the same purposes. The Series 2011A Bonds are not entitled to the benefit of the Reserve Funds included below.



A more detailed description of the flow of funds can be found in the Master Trust Indenture.

The flow chart on the previous page does not reflect permitted transfers between the Clean Water SRF and Drinking Water SRF to cure deficiencies. Such transfers are depicted as follows:



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INVESTMENTS

The Master Trust Indenture authorizes investments in various securities, including investment in guaranteed investment contracts (“GICs”) which are issued, secured or guaranteed by a corporation or national bank which has a long-term debt rating by Moody’s Investors Service, Inc. equal to the better of “A” or the then current rating on the Bonds. Under the GICs, the Authority reserves the right to call an investment contract if the provider’s debt rating falls below the minimum level. The Master Trust Indenture also authorizes investments in guaranteed deposit contracts (“GDCs”) which are issued by the Bank of North Dakota. Under the Programs, the Authority has entered into GICs and a GDC with the providers listed in Table 6.

Table 6
Investment Providers and Amounts

<u>Investment Provider</u>	<u>Bond Series</u>	<u>Type of Investment</u>	<u>Investment Amount (as of 04/30/11)</u>	<u>Maturity</u>	<u>Moody’s Rating</u>
Canadian Imperial Bank of Commerce	Series 1993	GIC	\$ 1,776,604	10/01/14	Aa2
MBIA Inc.	Series 1995 & 1996	GIC	11,533,532	09/29/17	Ba3
NATIXIS Funding Corporation	Series 1998	GIC	17,708,184	10/31/19	Aa3
GE Capital Corporation	Series 2000	GIC	24,075,740	10/15/21	Aa2
Bank of North Dakota	Series 2001	GDC	19,434,902	10/01/21	None ⁽¹⁾
Trinity Plus Funding Company	Series 2003A	GIC	6,480,620	12/01/16	Aa2
Trinity Plus Funding Company	Series 2003A	GIC	2,556,979	10/01/23	Aa2
Trinity Plus Funding Company	Series 2005A	GIC	<u>2,384,713</u>	10/01/25	Aa2
Total			<u>\$85,951,274</u>		

⁽¹⁾ The Master Trust Indenture allows the Authority to enter into GDCs with the Bank of North Dakota which is not currently rated by Moody’s. Such GDC is supported by a statutory guarantee of the State of North Dakota.

In the past the Authority has invested substantially all of its funds available for investments in uncollateralized GICs or GDCs and so may do so in the future. Payment of amounts due on the GICs and GDC are solely dependent upon the ability of the providers (including a guarantor, if any) to pay such amounts. Investment earnings are a source of funds for the payment of the Bonds and are required if the Authority is to have sufficient funds to pay the Bonds.

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DESCRIPTION OF THE SERIES 2011A BONDS

Terms of the Series 2011A Bonds

The Series 2011A Bonds will be dated as of the delivery date, will mature on October 1 in the years and amounts and bear interest from such date payable at the rates set forth on the cover of this Official Statement. Interest will be paid semiannually on each April 1 and October 1, commencing April 1, 2012.

The estimated Clean Water Leveraged Portion, Clean Water State Match Portion, Drinking Water Leveraged Portion and Drinking Water State Match Portion of each maturity of the Series 2011A Bonds is set forth below:

<u>Year</u>	<u>Clean Water State Match</u>	<u>Clean Water Leveraged Portion</u>	<u>Drinking Water State Match</u>	<u>Drinking Water Leveraged Portion</u>
2012	51.67%	22.68%	16.47%	9.18%
2013	38.72%	29.05%	12.96%	19.27%
2014	37.87%	29.31%	13.06%	19.76%
2015	15.21%	29.49%	15.86%	39.43%
2016	9.57%	28.78%	16.70%	44.95%
2017	9.57%	28.78%	16.70%	44.95%
2018	9.57%	28.78%	16.72%	44.93%
2019	9.59%	28.75%	16.75%	44.92%
2020	9.55%	28.83%	16.67%	44.95%
2021	9.43%	29.72%	16.45%	44.40%
2022	6.79%	34.91%	9.46%	48.84%
2023	4.55%	45.45%	4.55%	45.45%
2024	4.55%	45.45%	4.55%	45.45%
2025	4.55%	45.45%	4.55%	45.45%
2026	4.55%	45.45%	4.55%	45.45%
2027	4.55%	45.45%	4.55%	45.45%
2028	4.55%	45.45%	4.55%	45.45%
2029	4.55%	45.45%	4.55%	45.45%
2030	4.55%	45.45%	4.55%	45.45%
2031	4.55%	45.45%	4.55%	45.45%

The foregoing portions are derived from the relative amounts of Series 2011A Bond proceeds deposited in the State Match Loan Accounts, Leveraged Loan Accounts (including reimbursement transfers to the Federally Capitalized Loan Accounts) and the original allocation of the proceeds of the Refunded Bonds. The Executive Director has authority to reallocate unexpended proceeds deposited in these funds at any time within the three-year period following the issuance of the Series 2011A Bonds. The Clean Water State Match Portion, Clean Water Leveraged Portion, Drinking Water State Match Portion and Drinking Water Leveraged Portion will be revised based on any such reallocation of proceeds.

Redemption of the Series 2011A Bonds

Optional Redemption. The Series 2011A Bonds maturing on or after October 1, 2022 are subject to redemption and prior payment at the option of the Bond Bank on October 1, 2021 and on any date thereafter in whole or in part in such amounts and from such maturities as the Bond Bank may determine and by lot within a maturity at the redemption price of par.

Whenever by the terms of the Master Trust Indenture or a Series Resolution the Trustee is required to redeem Bonds in whole or in part other than at the election of the Bond Bank, the Trustee shall select the Bonds of the Series to be redeemed, give the notice of redemption and apply available funds to the payment of the Redemption Price thereof and the accrued interest thereon to the redemption date in accordance with the terms of the Master Trust Indenture.

Extraordinary Mandatory Redemption. In May 2006, Congress enacted and the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (the “2006 Tax Act”). The 2006 Tax Act imposes new requirements and conditions for the interest on bonds issued by state and local governments for pooled financing programs to be and remain exempt from federal income taxation. Among those requirements are provisions requiring the redemption of bonds if certain amounts of the bond proceeds are not used for loans within one-year and three-year periods following the issuance of the bonds. In particular, the 2006 Tax Act requires the following:

- (a) with respect to the one-year period, (i) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the one-year period beginning on the date of issuance, at least 30 percent of the net proceeds of the issue will be used directly or indirectly to make or finance loans to ultimate borrowers; and (ii) to the extent that less than 30 percent of the proceeds of the issue are actually used as described in clause (i) the issuer must use an amount of proceeds equal to the excess of 30 percent of the proceeds over the amount actually used to make loans by the close of such one-year period to redeem outstanding bonds within 90 days after the end of such period.
- (b) with respect to the three-year period, (i) as of the date of issuance of an issue of bonds, the issuer must reasonably expect that within the three-year period beginning on the date of issuance, at least 95 percent of the net proceeds of the issue will be used directly or indirectly to make or finance loans to ultimate borrowers; and (ii) to the extent that less than 95 percent of the proceeds of the issue are actually used as described in clause (i) the issuer must use an amount of proceeds equal to the excess of 95 percent of the proceeds over the amount actually used to make loans by the close of such three-year period to redeem outstanding bonds within 90 days after the end of such period.

At closing, the Authority will expend a minimum of \$40,000,000 representing 45% of the non-refunding proceeds of the Series 2011A Bonds fulfilling the requirements for the one-year period. The Authority and the Department anticipate that an additional approximately \$35 million of draws for Clean Water Loans and \$34 million of draws for Drinking Water Loans will be made during the remainder of calendar year 2011 and calendar year 2012 which more than satisfies expending at least 95 percent of the proceeds of the Series 2011A Bonds during the three-year period as required by the 2006 Tax Act. In addition, in order to enable the Authority to comply with the potential application of the above-described provisions of the 2006 Tax Act, the Series 2011A Bonds are being made subject to Extraordinary Mandatory Redemption as described below.

The Series 2011A Bonds shall be subject to redemption and payment prior to maturity on October 1, 2014, in an amount necessary to maintain the exclusion from gross income for federal income tax purposes pursuant to the Code of the interest on the Series 2011A Bonds at the redemption price of 105% of the amortized issue price as determined by the Authority for each maturity of the Series 2011A Bonds plus accrued interest on the principal amount redeemed thereon to the date of redemption. The amortized issue prices and redemption prices are set forth in Appendix F and are expressed as percentages of the principal amount of each maturity of the Series 2011A Bonds. See “Redemption of the Series 2011A Bonds” herein.

Notice of Redemption

Thirty days prior to the redemption date, notice of any such redemption shall be given by mail to DTC, as the registered owner. In the event less than all of the Series 2011A Bonds of one maturity are called for redemption, the Authority shall notify DTC of the particular amount of such maturity to be called for redemption. DTC’s practice is to determine the amount to be redeemed from each Participant, and each Participant (as defined under “Book-Entry Only System” below) will then select by lot the ownership interest in such maturity to be redeemed. See “Book-Entry Only System” herein.

Book-Entry-Only System

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by The Depository Trust Company entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York will act as securities depository for the Series 2011A Bonds. The Series 2011A 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, specified on the cover page hereof, 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 Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over eighty-five 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. Bonds 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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.

Purchases of the Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A 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 interest in the Series 2011A 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 Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued or an entire maturity is transferred.

To facilitate subsequent transfers, all Series 2011A 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 Series 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2011A 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Series 2011A 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 Authority or the Trustee, on payable date in accordance with their respective holding 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, nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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 service as depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2011A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2011A BONDS OF A SERIES; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2011A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2011A BONDS; OR (VI) ANY OTHER MATTER.

Continuing Disclosure Undertaking

Under SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the Authority will covenant to enter into an undertaking (the "Undertaking") for the benefit of holders of the Series 2011A Bonds to provide certain financial information and operating data relating to the issuer to the Municipal Securities Rulemaking Board, and to provide notices of the occurrence of certain events enumerated in the Rule to the Municipal Securities Rulemaking Board. That information will consist of (i) a financial statement covering the State Revolving Fund Program of the Authority and (ii) updates of the information set forth in Appendix B and of certain information, generally similar to that set forth in Appendix A, relating to Political Subdivisions whose outstanding loan amounts under the State Revolving Fund Program, as of the annual reporting date, constitute 10% or more of the outstanding principal amount of Bonds. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events are set

forth in the Continuing Disclosure Certificate to be executed and delivered by the Authority at the time the Series 2011A Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix D. The Authority has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the Authority to comply with the Undertaking will not constitute an event of default on the Series 2011A Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a 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 Series 2011A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2011A Bonds and their market price.

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THE NORTH DAKOTA PUBLIC FINANCE AUTHORITY

General

The North Dakota Public Finance Authority was established by the Authority Act on July 1, 1975, as an instrumentality of the State exercising essential public and governmental functions.

The Authority Act authorizes the Authority to lend money to Political Subdivisions of the State through the purchase of municipal securities of political subdivisions or other contracting party. To finance such purchases of municipal securities, the Authority is authorized by the Authority Act to issue its bonds, in any amount, payable pursuant to the Authority Act.

The Authority is empowered to sue and be sued; to make, enter into and enforce contracts; to acquire, hold, use and dispose of monies or other personal property; to carry out its functions by officers, agents or employees or by contract; and to make and enforce bylaws, rules and regulations. It is not, however, a body corporate.

Pursuant to North Dakota Century Code Chapters 6-09.4 and 54-17, the Authority is under the operation, control and management of the Industrial Commission, which oversees various enterprises of the State, and whose actions are the actions of the State acting in its sovereign capacity.

On February 18, 2010, the Industrial Commission appointed Ms. DeAnn Ament as Executive Director of the Authority effective April 1, 2010, to serve at its pleasure. Ms. Kylee Merkel is the Authority's Business Manager. Ms. Ament and Ms. Merkel are the Authority's only employees.

The costs and expenses of operation of the Authority are financed from investment income and fees and charges imposed by the Authority. Pursuant to the loan agreements with the various borrowers participating in the Authority's financing programs, the Authority may collect an administrative fee from the respective political subdivision. The administrative fee may be used to pay costs and expenses of operation of the Authority.

Under the Authority Act, all property of the Authority, its transfer and the income therefrom, including any profits made on the sale thereof, are exempt from taxation within the State. In a written opinion of the Office of Attorney General, the income of the Authority, as an instrumentality of the State, is exempt under existing law from Federal income taxes. Under the Authority Act, all property of the Authority in the State is exempt from levy and sale by virtue of an execution and no execution or judicial process may issue from any state court against such property nor may any judgment of a state court against the Authority be a charge or lien upon its property. The foregoing does not limit the rights of the holder of any bond to pursue any remedy for the enforcement of any pledge or lien given by the Authority on its revenues or other monies to secure the bonds.

This legislation also permitted the Public Finance Authority to enter into administrative agreements with other state entities and to issue bonds on their behalf. Although the Public Finance Authority may be empowered to exercise the bonding authority of another state entity, any bonds issued would be an obligation of the other state entity and not an obligation of the Public Finance Authority.

The Authority's offices are located at 1200 Memorial Highway, Bismarck, North Dakota 58504. Its telephone number is 701/328-7100.

Outstanding Debt of the State Revolving Fund Program

The Authority has issued a total of 12 issues with a par amount of \$297,050,000.

<u>Series</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (As of July 1, 2011)</u>
Series 1996 Bonds	10/01/17	\$ 29,845,000	\$ 200,000 ⁽¹⁾
Series 1998 Bonds	10/01/19	35,965,000	11,745,000 ⁽²⁾
Series 2001 Bonds	10/01/21	23,725,000	1,975,000 ⁽³⁾
Series 2003A Bonds	10/01/23	26,795,000	7,645,000 ⁽⁴⁾
Series 2003B Bonds	10/01/17	20,455,000	13,945,000
Series 2004 Bonds	10/01/21	11,790,000	11,335,000
Series 2005 Bonds	10/01/25	36,210,000	29,595,000
Series 2008 Bonds	10/01/28	<u>46,100,000</u>	<u>42,400,000</u>
Subtotal		<u>\$247,610,000</u>	<u>\$118,840,000</u>

(1) Additionally, \$19,740,000 of the Series 1996 Bonds were defeased by the Series 2003B Bonds and were redeemed from proceeds on deposit in an escrow account at a price of 101% on October 1, 2006.

(2) Additionally, \$4,070,000 of the Series 1998 Bonds were defeased by the Series 2005A Bonds and were redeemed from proceeds on deposit in an escrow account at a price of 101% on October 1, 2008.

(3) Net of the \$11,765,000 to be refunded by the Series 2011A Bonds.

(4) Net of the \$11,775,000 to be refunded by the Series 2011A Bonds.

Other Outstanding Debt of the Authority

The Authority was created for the purpose of lending money to political subdivisions of the State of North Dakota through the purchase of municipal obligations issued by such political subdivisions. To finance the purchase of the municipal obligations, the Authority is authorized to issue its revenue bonds. The objective of the Authority with respect to all of its financing programs is to provide a cost-effective financing alternative for local government issuers, many of whose funding needs are small or infrequent. The Capital Financing Program of the Authority was initiated in 1990 and is a regularly used program because it offers financing for virtually all of the purposes permitted under North Dakota law.

The Capital Financing Program replaced an earlier loan program established under a 1977 General Bond Resolution. The 1989 Indenture is a stand-alone transaction completed for the purpose of refinancing outstanding Farmers Home Administration loans for rural water associations in the State. The 1989 Indenture was supplemented by a 1999 Supplemental Trust Indenture (the "1999 Indenture") for the purpose of refunding the 1989 Bonds.

Under its Industrial Development Program, the Authority is permitted to purchase certain qualified small issue bonds issued by a political subdivision or other qualified issuers and is permitted to enter into revenue agreements with other contracting parties and issue municipal industrial development revenue bonds. The limit on the purchase or issuance of such bonds is \$2,000,000 per political subdivision or other contracting party.

Capital Financing Program:

<u>Series</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (As of July 1, 2011)</u>
1993A through 1993F	06/01/13	\$ 3,750,000	\$ 475,000
1996A through 1996D	06/01/16	3,365,000	--
1997A through 1997H	06/01/17	15,345,000	--
1998A through 1998E	06/01/23	9,695,000	1,195,000
1999A through 1999F	06/01/23	4,530,000	195,000
2001A	06/01/21	735,000	450,000
2002A	06/01/28	1,700,000	1,045,000
2003A	06/01/28	1,495,000	1,180,000
2004A	06/01/24	880,000	395,000
2006A	06/01/31	1,385,000	840,000
2009A	06/01/34	2,125,000	1,995,000
2011A	06/01/41	<u>3,730,000</u>	<u>3,730,000</u>
Subtotal - Capital Financing Program		<u>\$89,425,000</u>	<u>\$11,500,000</u>

1989 Indenture (Insured Water System Refunding Revenue Bonds):

<u>Series</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (As of July 1, 2011)</u>
1999A	04/01/14	\$ 8,875,000	\$ 590,000
1999B	04/01/15	<u>1,410,000</u>	<u>1,410,000</u>
Subtotal - 1989 Indenture		<u>\$10,285,000</u>	<u>\$ 2,000,000</u>

Industrial Development Program:

<u>Series</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (As of July 1, 2011)</u>
2006A	06/01/31	\$ 1,360,000	\$ 1,205,000
2008A	06/01/33	2,000,000	1,890,000
2009A	06/01/34	<u>1,500,000</u>	<u>1,445,000</u>
Subtotal – Industrial Development Program		<u>\$4,860,000</u>	<u>\$ 4,540,000</u>
TOTAL OTHER OUTSTANDING DEBT			<u>\$18,040,000</u>

The Authority has entered into a Standby Refunding Bond Purchase Agreement with the Central Dakota Irrigation District (the “District”) under which the Authority has committed to purchase through the Capital Financing Program or its successor, or from other legally available funds, refunding improvement bonds of the District at the times and in the amounts needed to refund any of the District’s \$3,270,000 Taxable Improvement Warrants (the “Warrants”) which the District is unable to pay when due. The Warrants are dated April 1, 1997, and have a final maturity date of February 1, 2012. The Warrants were issued by the District to acquire, construct, and install irrigation facilities within the District.

None of the financings listed above are payable from or secured by the Municipal Securities, the Loans or any amounts on deposit under the Master Trust Indenture.

Powers of Authority Under State Revolving Fund Programs

The Authority Act declares it to be the policy of the State to foster and promote the provision of adequate capital markets and facilities for borrowing money by political subdivisions for the financing of their respective public improvements. In pursuit of this policy, the State Revolving Fund Programs make funds available to political subdivisions and other entities eligible to receive a loan under the Authority Act, the CWSRF Act and the DWSRF Act at reduced interest costs.

The Authority Act limits entities which may participate in the Authority's programs. Eligible Borrowers include local governmental units created under state law for local governmental or other public purposes, certain state entities and member owned associations, or publicly owned and nonprofit corporations operating certain public water systems or other facilities or systems eligible for assistance under the CWSRF Act or the DWSRF Act.

Participation by a political subdivision in the Programs is entirely voluntary, and no political subdivision is required by law to sell its Municipal Securities to the Authority. Neither is the Authority required by law or contract to purchase any particular Municipal Securities.

The Authority Act limits the evidences of debt eligible for the Authority program to Municipal Securities, therein defined as bonds or evidences of debt issued by a political subdivision, but not including industrial development revenue bonds issued pursuant to the North Dakota Century Code Chapter 40-57, except for certain small issue bonds and certain exempt facility bonds issued to provide a facility for the furnishing of water, a wastewater facility, or a nonpoint pollution control facility.

The Authority Act requires that all Municipal Securities purchased and held by the Authority be in fully marketable form, therein defined as duly executed and accompanied by an approving legal opinion of counsel acceptable to the Authority or other purchasers of Municipal Securities.

The Authority Act requires that the Authority lend money to Borrowers only through purchasing such Municipal Securities as are in the opinion of the Attorney General of the State properly eligible for purchase by the Authority under the Authority Act.

The Authority is authorized to take applications from prospective Borrowers to participate in the State Revolving Fund Programs; to require such information in the application as the Executive Director of the Authority deems necessary or material; to consider the need and desirability of purchasing Municipal Securities issued by the applicant, the ability of such applicant to secure borrowed money from other sources and the cost thereof, and the particular public improvement or purpose to be financed by the Municipal Securities; to impose upon and collect charges from the applicant for its costs and services in review or consideration of any proposed purchase, whether or not such purchase is consummated; to accept or reject such application for any reason or for no reason; to negotiate and enter into agreements with Borrowers respecting the purchase of Municipal Securities; and to fix any and all terms, conditions and provisions of any such purchase and of the Municipal Securities acquired.

Political Subdivision Financing

Capital financing for Political Subdivisions in North Dakota will normally take one of five forms: (i) general obligation bonds, (ii) improvement warrants and improvement bonds, (iii) revenue bonds, (iv) special authority indebtedness, and (v) lease financings.

- (i) General obligation bonds may be issued by a county, city, township, school district, park district, recreation service district or rural fire protection district, but with certain exceptions only if authorized by the electors. General obligation bonds are included in the indebtedness of the Political Subdivision for statutory and constitutional debt limit computations. They are secured by the full faith, credit and taxing powers of the Political Subdivision. Article X, Section 15 of the North Dakota Constitution provides that, subject to certain exceptions, the "debt" of any county, township, city, town, school district or any other political subdivision "shall never exceed five per centum upon the assessed value of the taxable property therein."

- (ii) Certain Political Subdivisions, generally limited to cities, but including other specially authorized Political Subdivisions, regularly finance construction of local improvements (e.g., water and water distribution projects, sewer and waste water projects and related facilities, streets, curb and gutter and related requirements, boulevard, trees, flood protection, parking lots, parking ramps, garages and pedestrian skyway improvements) through the issuance of improvement warrants or bonds which may be refunded by the issuance of refunding improvement bonds. These obligations, issued as warrants or bonds, are payable primarily from special assessments levied upon properties benefited by the improvements. If the improvement is for sewer or water improvements or a parking facility, the Political Subdivision may pay a portion of the cost from the net revenues derived from the operation of the utility or project for which the improvement is constructed. Additionally, the Political Subdivision may finance a portion of the cost of an improvement not exceeding 20% of the cost with the levy of an ad valorem tax on all taxable property of the Political Subdivision. If special assessments collected or which are anticipated to be collected are insufficient (with any ad valorem taxes or utility revenues also pledged) to pay principal and interest when due on the improvement warrants (whether they have been refunded with bonds or not) issued with respect to that improvement, the Political Subdivision (which includes a county with respect to a recreation service district or an unincorporated rural area of a county) is obligated to levy, on all taxable property in the Political Subdivision, ad valorem taxes in an amount sufficient to make up the existing or anticipated deficiency.

Improvement warrants and improvement bonds issued pursuant to this authority do not constitute debt within the meaning of the constitutional limitation of indebtedness discussed above. There is no other constitutional or statutory limitation on the amount of indebtedness which may be incurred by issuance of improvement warrants and refunding improvement bonds. However, to the extent, if at all, the Political Subdivision agrees to pay a portion of the cost of an improvement from ad valorem taxes, that portion constitutes a debt and is subject to the limitation on indebtedness.

- (iii) A Political Subdivision authorized by law may issue its revenue bonds to construct or acquire an undertaking (e.g., a water supply, treatment and distribution system, a sewer or wastewater collection and treatment facility, a storm sewer, a facility for the generation, transmission and production of natural gas, electric lighting, heating or other power generating or distribution system, the operation of parking lots, trailer courts and other motor vehicle facilities, the purchase, acquisition, establishment and maintenance of a public transportation system, the purchase, acquisition, construction and maintenance of an airport and related facilities and the purchase, acquisition, construction and maintenance of a hospital). With only minor exceptions the revenue bonds may be issued by the governing body of the Political Subdivision without a vote of the electors.

The revenue bonds upon issuance do not constitute debt within the meaning of the debt limit described above, nor is there any other limit on the amount of such bonds which may be issued. The revenue bonds are secured by a pledge and authorization of the use of net revenues of the facility or utility for the payment of principal and interest. Additionally, many times the Political Subdivision provides for the establishment of a reserve for the security of the bonds, in an amount equal to the maximum amount of principal and interest to become due on such bonds in any full calendar year, to be funded from revenues from the facility or utility. Certain specially authorized Political Subdivisions may further secure the maintenance of the reserve by funding any deficiency in the reserve with proceeds from the levy of an ad valorem property tax on all taxable property in the Political Subdivision.

- (iv) There are numerous special authorities established within Political Subdivisions such as counties and cities which can issue debt for various specific projects, facilities and undertakings, (e.g., rural fire protection districts, rural ambulance service districts, irrigation districts, water resource districts, airport and municipal airport authorities, municipal pipeline authorities, municipal power agencies, municipal steam heat authorities and special project authorities established jointly by two or more existing Political Subdivisions). Political Subdivisions can also issue project specific debt for certain purposes (e.g., wastewater and solid waste bonds, seed, feed and fuel obligations, asbestos removal bonds and county governmental function bonds). All of these special authorities and types of debt are specifically authorized in addition to the three previously described types of debt, but are payable as general obligation bonds from ad valorem irreparable tax levies on all taxable property within the Political Subdivision or specially constituted authority, or from special

assessments levied upon property benefited by the improvement and with certain exceptions backed by a deficiency levy upon all taxable property within the Political Subdivision or authority, and from revenues and fees received through the operation of the project, program, utility or facility, or from a combination of any of the three previously mentioned methods of securing payment of principal and interest on the obligations.

- (v) Additionally, Political Subdivisions with proper authority under State law are able to acquire equipment or real property under a financing lease. A municipal lease financing is based upon the agreement of the Political Subdivision to make lease payments, which may be subject to annual renewal or termination at the option of the Political Subdivision. The lease payments are made from moneys appropriated annually from the Political Subdivision's general, operating or capital improvement funds in accordance with applicable state law governing budgeting and appropriation.

Credit Review

The credit analysis procedures of the Authority include review of three general areas, with a different emphasis on certain factors within these areas depending on whether the Municipal Securities to be purchased are revenue, special assessment or general obligation debt instruments. All potential participants in an Authority program are reviewed by a special Advisory Committee, appointed by the Industrial Commission, for the purpose of making a recommendation to the Industrial Commission on the suitability of including a particular Political Subdivision in a financing.

The Act requires the Commission, for the issuance of bonds in an amount over \$500,000, to state in its approving resolution, if it appears that the securities can be sold through private bond markets without the involvement of the Authority, the reasons for the involvement of the Authority. Authority policy requires the Industrial Commission to conduct a review and comparison of the financing requested. The Authority asks the political subdivision to provide information on other financing options, if any, the political subdivision has already examined. The financing requested through the Authority financing program is compared to the same or a similar financing completed through other sources, including other available government financing programs.

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LOCAL TAXES AND COLLECTIONS

The applicable assessor's office establishes an estimated market value on all properties. The assessed value is computed at 50% of estimated market value. The taxable value of residential property is 9% of the assessed value and the taxable value of agricultural property is 10% of the assessed value.

After final equalization by assessing authorities in September of each year, the county auditor calculates mill rates and spreads taxes. The resulting taxes are payable on the following February 28.

Taxes are collected by the county and the receipts are distributed by the county to the local government entities. A discount of 5% is given on the tax bill if entire payment is made by February 15. Discounts given are subtracted from the levy amount by the county auditor. If the first installment of taxes is not paid by March 1, a 3% penalty is charged with an additional penalty being charged on May 1 and another 3% on October 15. The second installment of taxes is due October 15, and if not paid on or before that date is subject to a 6% penalty.

North Dakota residents over 65 years of age whose income is less than \$15,000 receive a homestead property tax credit. The credit is subtracted from their tax bill. Local government entities are reimbursed by the State for all homestead credits. Therefore, the Political Subdivision has no loss in tax revenues from the credit.

THE INDUSTRIAL COMMISSION OF NORTH DAKOTA

The State Legislature created the Industrial Commission in 1919 to conduct and manage, on behalf of the State, certain utilities, industries, enterprises and business projects established by State law. North Dakota law provides that the acts of the Industrial Commission constitute acts of the State functioning in its sovereign capacity. The members of the Industrial Commission are the Governor, the Attorney General and the Agriculture Commissioner and a quorum for the transaction of Industrial Commission business consists of the Governor and one additional member. The present members of the Industrial Commission, all of whom have been elected (with respect to the Governor and Attorney General) or appointed (with respect to the Agriculture Commissioner) to their respective offices for terms expiring December 14, 2012 (with respect to the Governor) and December 31, 2014 (with respect to the Attorney General and Agriculture Commissioner) are:

John S. (Jack) Dalrymple III, Governor
Wayne Stenehjem, Attorney General
Doug Goehring, Agriculture Commissioner

The utilities, industries, enterprises and business projects conducted and managed by the Industrial Commission include (in addition to the Authority): the Bank of North Dakota, the North Dakota Transmission Authority, the North Dakota Pipeline Authority, the State Mill and Elevator, the North Dakota Geological Survey, and the North Dakota Housing Finance Agency. Additionally, the Industrial Commission exercises regulatory authority through its Oil and Gas Division. The Industrial Commission is also responsible for administering the North Dakota Building Authority and the State's secondary market for student loans through its Student Loan Trust.

The Industrial Commission may employ staff or consultants and fix the salaries or conditions of such employment. Each State enterprise under the control of the Industrial Commission employs and is operated by a separate staff under the supervision of the Industrial Commission. The Attorney General of the State serves as the attorney for the Industrial Commission.

The Commission's mailing address is the Industrial Commission of North Dakota, State Capitol, 600 East Boulevard, Bismarck, North Dakota 58505, c/o Executive Director and its telephone number is (701) 328-3722.

The Authority Act provides that bonds of the Authority be authorized by resolution of the Industrial Commission. The Authority Act further authorizes the Industrial Commission to pledge assets of the Bank of North Dakota as security for the Authority's bonds. No such assets have been pledged to the Bonds.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of a Series of Bonds in order that interest on the Series 2011A Bonds be and remain excludable from gross income under Section 103 and related Sections of the Code. These requirements include, but are not limited to, (1) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Series 2011A Bonds and other amounts, and (2) provisions which require that certain investment earnings be rebated periodically to the United States Treasury. Noncompliance with such requirements may cause interest on the Series 2011A Bonds to become includable in gross income for purposes of Federal income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained. The General Bond Resolution contains covenants of the Industrial Commission and the Authority (the "Tax Covenants"), pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied.

Under present laws and rulings, interest on the Series 2011A Bonds is exempt from inclusion in gross income for purposes of federal income taxation. Interest on the Series 2011A Bonds is not an item of tax preference for purposes of the calculation of the alternative minimum tax imposed with respect to individuals and other taxpayers under the Code. Interest on the Series 2011A Bonds will be included in the computation of "adjusted current earnings," which may be taken into account in determining alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations. In addition, interest on the Series 2011A Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax.

Pursuant to the Act, the interest on the Series 2011A Bonds is exempt from all income taxation by the State of North Dakota.

The form of legal opinion to be rendered with respect to the Series 2011A Bonds offered hereby is presented in Appendix D.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Series 2011A Bonds will not be "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from gross income for federal income tax purposes interest expense that is allocable to acquiring and carrying tax-exempt obligations.

ORIGINAL ISSUE PREMIUM

Certain of the Series 2011A Bonds (Premium Bonds) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of such Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be determined on the basis of the earliest call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of such bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is

reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by that owner for that Series 2011A Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Series 2011A Bond to maturity will realize no gain or loss upon the retirement of that Series 2011A Bond.

ORIGINAL ISSUE DISCOUNT

Certain of the Series 2011A Bonds (Discount Bonds) may be offered and sold to the public at an original issue discount (OID). OID is the excess of the stated redemption price at maturity (the face amount) over the "issue price" of such Series 2011A Bonds. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant interest rate method, compounded semiannually. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that purchaser owns the Discount Bond (or book entry interest in that Series 2011A Bond) (i) is interest excludable from that purchaser's gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as to other interest on the Series 2011A Bonds, and (ii) is added to that purchaser's tax basis for purposes of determining gain or loss on the maturity, prior sale or other dispositions of that Discount Bond (or book entry interest).

Owners of Discount Bonds should consult their own tax advisers as to the determination for federal tax purposes of the amount of OID properly accruable each year with respect to the Discount Bonds and as to other federal tax consequences and any state and local tax aspects of owning Discount Bonds or book entry interest in them.

UNDERWRITING

The Series 2011A Bonds offered hereby are being purchased from the Authority by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative, acting on behalf of itself and Piper Jaffray & Co. (the "Underwriters") at a purchase price of \$112,557,894.03 (which represents the principal amount of the Series 2011A Bonds, plus \$11,750,937.85 of net original issue premium and less \$403,043.82 of Underwriters' discount). The Bond Purchase Agreement provides that the Underwriters shall purchase all of the Series 2011A Bonds offered hereby if any are purchased, and that the obligation to make such purchase is subject to the approval of certain legal matters and certain other conditions.

VERIFICATION

The Authority has retained Chris D. Berens, CPA, P.C. of Omaha, Nebraska, as verification agent (the "Verification Agent") in connection with the issuance of the Series 2011A Bonds. The Verification Agent will verify the adequacy of the cash and securities placed in escrow to retire the bonds being called and will perform various yield calculations required under Section 148 of the Internal Revenue Code of 1986, as amended, upon which the Bond Counsel will rely in their determination that the Series 2011A Bonds are not "arbitrage bonds".

FINANCIAL ADVISOR

The Authority has retained Public Financial Management, Inc., of Minneapolis, Minnesota, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Series 2011A Bonds. In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2011A Bonds.

Requests for information concerning the Authority should be addressed to Public Financial Management, Inc., 800 Nicollet Mall, Suite 2710, Minneapolis, Minnesota 55402 (612/338-3535).

RATING

The Series 2011A Bonds are rated “Aaa” by Moody’s Investors Service, Inc. The rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained only from Moody’s Investors Service, Inc. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigation, studies and assumptions by the rating agencies. A security’s rating is not a recommendation to buy, sell or hold securities. The rating of the Series 2011A Bonds represents a judgment as to the likelihood of timely payment of the Series 2011A Bonds according to their terms, but does not address the likelihood of redemption or acceleration prior to maturity. There is no assurance that such rating will remain in effect for any given period of time or that it may not be lowered, suspended or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward change in or suspension or withdrawal of such rating may have an adverse effect on the market price and marketability of the Series 2011A Bonds.

ABSENCE OF LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2011A Bonds, or prohibiting the Authority from making Loans to Borrowers or purchasing Municipal Securities with the proceeds of Bonds, or in any way contesting or affecting the validity or tax exemption of any Series 2011A Bonds or any proceedings of the Department, the Authority or the Industrial Commission taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Series 2011A Bonds or the existence or necessary powers of the Department, the Authority or the Industrial Commission or the exemption of the income of the Authority from state or federal income taxes.

LEGALITY

The Series 2011A Bonds offered hereby are subject to the approving legal opinion of Faegre & Benson LLP, Minneapolis, Minnesota, as Bond Counsel. The opinion of Bond Counsel will be in substantially the form attached to this Official Statement as Appendix D. Bond Counsel will also pass upon certain additional matters for the Authority and the Underwriters by separate opinion.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority, the Industrial Commission or the Underwriters and the purchasers or holders of any of the Series 2011A Bonds.

The Appendices attached hereto are a part of this Official Statement.

The distribution of this Official Statement and its execution has been duly authorized by the North Dakota Public Finance Authority.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

By: /s/ DeAnn Ament
Executive Director

APPENDIX A
Selected Financial Information
of Borrowers

Appendix A contains selective descriptions of participating Borrowers whose outstanding Loan amount (for fully funded Loans) or approved Loan amount under both State Revolving Fund Programs constitutes more than 10% of the aggregate amount of actual Loan amount (for fully funded Loans) and the approved Loan amount for Loans not yet fully funded.

In the future there may be additional Borrowers who become Obligated Persons meeting the objective criteria established pursuant to the Continuing Disclosure Undertaking. However, as of the date of this Official Statement, they cannot be and have not been identified. Information pertaining to such Borrowers will be disclosed once they become Obligated Persons.

The information in this Appendix A has been compiled for the following Borrower from the applications and audited financial statements of the participating Borrowers which have been received by the Authority.

<u>Borrower</u>	<u>Outstanding Loan Amount</u>	<u>% of Total</u>
City of Fargo	\$115,012,880	24.7%

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CITY OF FARGO

Population:	<u>Year</u>	<u>Population</u>
	2010	105,549
	2009	103,428
	2008	100,806
	2000	90,599
	1990	74,111

Employment:

	<u>Fargo/Moorhead MSA</u>		<u>Unemployment Rate</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>State of North Dakota</u>	<u>United States</u>
2011 ⁽¹⁾	118,227	3.7%	3.2%	9.1%
2010	119,797	4.1%	3.9%	9.5%
2009	120,684	4.4%	4.3%	8.6%
2008	119,720	3.0%	3.1%	4.8%
2007	118,729	3.1%	3.1%	4.6%
2006	115,295	2.7%	3.2%	4.6%
2005	113,107	2.9%	3.4%	5.1%
2004	107,271	2.5%	3.4%	5.5%
2003	108,824	2.8%	4.0%	6.0%
2002	107,271	2.5%	4.0%	5.8%
2001	104,927	1.9%	2.8%	4.8%

⁽¹⁾ April 2011 only

**Major Employers in the Fargo
Metropolitan area:**

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Sanford Health	Medical Care	3,691
North Dakota State University	Education	2,401
Noridian/Blue Cross Blue Shield	Health Insurance	1,800
Fargo Public Schools	Education	1,638
Innovis Health	Medical	1,285
US Bank Service Center	Financial Services	1,030
City of Fargo	Government	897
Microsoft	Computer Software/Services	690
Fargo VA Medical Center	Health Care Services	830
Case New Holland	Manufacturing	811

Water System User Charge History:

<u>Year</u>	<u>First 200,000 Gallons</u>	<u>200,000 Gallons to 2,000,000 Gallons</u>	<u>Over 2,000,000 Gallons</u>
2010	\$4.20/1000 gal	\$3.95/1000 gal	\$3.60/1000 gal
2009	4.20/1000 gal	3.95/1000 gal	3.60/1000 gal
2008	4.20/1000 gal	3.95/1000 gal	3.60/1000 gal
2007	4.05/1000 gal	3.80/1000 gal	3.45/1000 gal
2006	3.90/1000 gal	3.65/1000 gal	3.30/1000 gal
2005	3.30/1000 gal	3.35/1000 gal	3.00/1000 gal
2004	3.30/1000 gal	3.05/1000 gal	2.70/1000 gal
2003	3.30/1000 gal	3.05/1000 gal	2.70/1000 gal
2002	3.30/1000 gal	3.05/1000 gal	2.70/1000 gal
2001	3.30/1000 gal	3.05/1000 gal	2.70/1000 gal

Sewer System User Charge History:

<u>Year</u>	<u>Residential Charge (Average)</u>	<u>Commercial Charge</u>
2010	\$18.65/Month	\$2.00/1000 gal
2009	18.65/Month	2.00/1000 gal
2008	18.65/Month	2.00/1000 gal
2007	17.60/Month	1.90/1000 gal
2006	16.60/Month	1.70/1000 gal
2005	15.10/Month	1.60/1000 gal
2004	13.70/Month	1.50/1000 gal
2003	13.05/Month	1.40/1000 gal
2002	12.40/Month	1.30/1000 gal
2001	11.75/Month	1.20/1000 gal
2000	11.10/Month	1.10/1000 gal

**Water and Sewer Revenue Debt
Outstanding as of 5/15/11:**

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>
1990	\$ 3,561,559 ⁽¹⁾	\$ 675,000
1993	7,770,000 ⁽¹⁾	1,805,000
1995	2,850,429 ⁽¹⁾	1,110,429
1998	1,482,337 ⁽¹⁾	682,337
1998	10,781,484 ⁽¹⁾	5,700,000
1999	210,000 ⁽¹⁾	100,000
2006	2,631,739 ⁽¹⁾	2,130,000
2007	28,065,000	20,360,000
2008	2,500,000 ⁽¹⁾	2,195,000
2008	63,725,000 ⁽¹⁾	63,715,000
2008	29,240,000 ⁽¹⁾	29,230,000
2008	1,640,000 ⁽¹⁾	1,630,000
2010	853,974 ⁽¹⁾	813,000
2010	3,149,575 ⁽¹⁾	<u>3,025,000</u>
Total		<u>\$133,170,766</u>

(1) Purchased by the NDPFA SRF Program.

APPENDIX B

Clean Water and Drinking Water SRF Loans

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As of April 30, 2011, the total outstanding principal amount of closed loans under the Programs is \$354,930,574, while the total amount of Loans approved but not closed under the Programs is \$6,875,979.

Tables B-1 and B-2 provide certain information with respect to Borrowers which have closed or approved Loans under the Clean Water SRF. For fully funded Loans, "Loan Balance" constitutes the outstanding Loan amount after principal payments, if any, received as of April 30, 2011. For Loans not fully funded, Loan Balance constitutes the Loan amount approved for funding by the Authority.

Table B-1
North Dakota Public Finance Authority
Clean Water State Revolving Fund Participants
Closed Loans as of April 30, 2011

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Abercrombie	Special Assessments	09/01/99 - 09/01/18	2.50%	\$ 135,875	0.03%
Amenia	Sewer Revenue	09/01/01 - 09/01/20	2.50%	79,000	0.02%
Argusville	Special Assessments	09/01/07 - 09/01/26	2.50%	561,000	0.12%
Arthur	Sewer Revenue	09/01/98 - 09/01/16	2.50%	60,000	0.01%
Berthold	Water Revenue	09/01/98 - 09/01/17	2.50%	29,575	0.01%
Bismarck	Sewer Revenue	09/01/08 - 09/01/27	2.50%	17,615,000	3.82%
Bank of North Dakota	General Revenues ⁽²⁾	09/01/97 - 09/01/07	2.50%	34,000	0.01%
Bank of North Dakota	General Revenues ⁽²⁾	09/01/06 - 09/01/25	2.50%	2,398,556 ⁽¹⁾	0.52%
Bottineau	Sewer Revenue	09/01/97 - 09/01/11	2.50%	10,000	0.00%
Buffalo	Special Assessments	09/01/00 - 09/01/19	2.50%	108,000	0.02%
Burlington	Sewer Revenue	10/01/95 - 10/01/14	2.50%	40,000	0.01%
Cando	Sewer Revenue	09/01/97 - 09/01/16	2.50%	90,000	0.02%
Carrington	Water Revenue	09/01/96 - 09/01/15	2.50%	275,000	0.06%
Carrington	Water Revenue	09/01/98 - 09/01/17	2.50%	330,000	0.07%
Cass Rural Water District	Sewer Revenue	09/01/08- 09/01/27	3.50%	15,245,652	3.31%
Casselton	Water Revenue	09/01/98 - 09/01/17	2.50%	645,000	0.14%
Casselton	Special Assessments	09/01/98 - 09/01/17	2.50%	50,000	0.01%
Casselton	Special Assessments	09/01/09 - 09/01/29	2.50%	1,928,688	0.42%
Cavalier	Special Assessments	09/01/10 - 09/01/28	0.50%	460,000	0.10%
Christine	Sewer Revenue	09/01/99 - 09/01/18	2.50%	170,000	0.04%
Cogswell	Sewer Revenue	09/01/01 - 09/01/20	2.50%	42,000	0.01%
Cooperstown	Special Assessments	09/01/97 - 09/01/16	2.50%	25,000	0.01%
Cooperstown	Special Assessments	09/01/97 - 09/01/16	2.50%	415,000	0.09%
Cooperstown	Special Assessments	09/01/98 - 09/01/17	2.50%	60,000	0.01%
Courtenay	Sewer Revenue	09/01/04 - 09/01/23	2.50%	33,900	0.01%
Davenport	Water Revenue	09/01/96 - 09/01/15	2.50%	50,000	0.01%
Davenport	Sewer Revenue	09/01/10 - 09/01/29	2.50%	400,000 ⁽¹⁾	0.09%
Devils Lake	Landfill Revenue	10/01/96 - 10/01/15	2.50%	315,000	0.07%
Dickinson	Sewer Revenue	09/01/10 - 09/01/29	0.50%	835,958 ⁽¹⁾	0.18%
Drayton	Special Assessments	09/01/10 - 09/01/30	2.50%	2,262,345 ⁽¹⁾	0.49%
Edgeley	Special Assessments	09/01/11 - 09/01/30	2.50%	1,720,000 ⁽¹⁾	0.37%
Edmore	Water & Sewer Revenue	09/01/97 - 09/01/15	2.50%	15,595	0.00%
Ellendale	Sewer Revenue	09/01/10 - 09/01/28	2.50%	674,000	0.15%
Emerado	Sewer Revenue	09/01/01 - 09/01/20	2.50%	175,000	0.04%
Enderlin	Water Revenue	09/01/98 - 09/01/17	2.50%	140,000	0.03%
Enderlin	Sewer Revenue	09/01/05 - 09/01/24	2.50%	140,000	0.03%
Enderlin	Sewer Revenue	09/01/10 - 09-01/29	2.50%	800,000 ⁽¹⁾	0.17%
Enderlin	Special Assessments	09/01/01 - 09/01/20	2.50%	660,000	0.14%
Fargo	Sewer Revenue	10/01/94 - 10/01/14	2.50%	1,805,000	0.39%
Fargo	Water Revenue	09/01/97 - 09/01/17	2.50%	1,110,429	0.24%
Fargo	Sewer Revenue	09/01/99 - 09/01/18	2.50%	682,337	0.15%
Fargo	Sewer Revenue	09/01/00 - 09/01/19	2.50%	5,700,000	1.24%
Fargo	Sewer Revenue	09/01/99 - 09/01/18	2.50%	100,000	0.02%
Fargo	Special Assessments	09/01/00 - 09/01/19	2.50%	1,020,000	0.22%
Fargo	Sewer Revenue	09/01/06 - 09/01/25	2.50%	2,130,000	0.46%
Fargo	Sewer Revenue	09/01/09 - 09/01/29	2.50%	63,725,000 ⁽¹⁾	13.82%
Fargo	Sewer Revenue	09/01/09 - 09/01/28	2.50%	1,630,000	0.35%
Fargo	Sewer Revenue	09/01/10 - 09/01/29	0.50%	853,974 ⁽¹⁾	0.19%

North Dakota Public Finance Authority
Clean Water State Revolving Fund Participants
Closed Loans as of April 30, 2011
(Continued)

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Fargo	Sewer Revenue	09/01/10 - 09/01/29	2.50%	\$ 3,149,575 ⁽¹⁾	0.68%
Fargo	Water Revenue	10/01/91 - 10/01/14	3.00%	675,000	0.15%
Flasher	Sewer Revenue	09/01/09 - 09/01/22	2.50%	107,000	0.02%
Forman	Special Assessments	09/01/01 - 09/01/20	2.50%	78,000	0.02%
Frontier	Special Assessments	09/01/98 - 09/01/17	2.50%	40,000	0.01%
Gackle	Sewer Revenue	09/01/99 - 09/01/18	2.50%	53,000	0.01%
Gackle	Sewer Revenue	09/01/07 - 09/01/26	2.50%	65,400	0.01%
Glenburn	Sewer Revenue	09/01/09 - 09/01/29	2.50%	824,900 ⁽¹⁾	0.18%
Grafton	Sewer Revenue	10/01/95 - 10/01/14	2.50%	60,000	0.01%
Grand Forks	Sewer Reserve Revenue	09/01/99 - 09/01/18	2.50%	6,300,000	1.37%
Grand Forks	Sewer Revenue	09/01/99 - 09/01/18	2.50%	1,810,000	0.39%
Grand Forks	Special Assessments	09/01/99 - 09/01/18	2.50%	1,105,000	0.24%
Grand Forks	Sewer Revenue	09/01/02 - 09/01/21	2.50%	8,415,000	1.82%
Grand Forks	Special Assessments	09/01/02 - 09/01/21	2.50%	1,004,000	0.22%
Grand Forks	Special Assessments	09/01/02 - 09/01/21	2.50%	1,330,000	0.29%
Grand Forks	Sewer Revenue	09/01/03 - 09/01/22	2.50%	6,686,156 ⁽¹⁾	1.45%
Grand Forks	Sewer Revenue	09/01/06 - 09/01/25	2.50%	3,575,000	0.78%
Grandin	Sewer Revenue	09/01/99 - 09/01/18	2.50%	40,000	0.01%
Gwinner	Sewer Revenue	09/01/00 - 09/01/19	2.50%	135,000	0.03%
Hankinson	Special Assessments	09/01/00 - 09/01/19	2.50%	46,000	0.01%
Hankinson	Special Assessments	09/01/01 - 09/01/20	2.50%	47,000	0.01%
Hankinson	Special Assessments	09/01/02 - 09/01/21	2.50%	885,000	0.19%
Hankinson	Sewer Revenue	09/01/04 - 09/01/23	2.50%	94,800	0.02%
Hankinson	Special Assessments	09/01/08 - 09/01/28	2.50%	100,000 ⁽¹⁾	0.02%
Hankinson	Special Assessments	09/01/11 - 09/01/30	0.50%	585,000 ⁽¹⁾	0.13%
Harvey	Water Revenue	09/01/97 - 09/01/16	2.50%	170,000	0.04%
Harvey	Sewer Revenue	09/01/02 - 09/01/21	2.50%	42,800	0.01%
Harvey	Sewer Revenue	09/01/04 - 09/01/23	2.50%	179,000	0.04%
Harvey	Sewer Revenue	09/01/07 - 09/01/26	2.50%	355,000 ⁽¹⁾	0.08%
Hazen	Sewer Revenue	09/01/05 - 09/01/24	2.50%	215,000	0.05%
Hazen	Special Assessments	09/01/09 - 09/01/19	0.50%	218,919	0.05%
Hebron	Sewer Revenue	09/01/02 - 09/01/21	2.50%	76,000	0.02%
Hettinger	Water Revenue	09/01/97 - 09/01/16	2.50%	60,000	0.01%
Hillsboro	Special Assessments	09/01/10 - 09/01/29	2.50%	134,519 ⁽¹⁾	0.03%
Hope	Sewer Revenue	09/01/06 - 09/01/25	2.50%	654,000	0.14%
Horace	Water Revenue	09/01/98 - 09/01/17	2.50%	95,000	0.02%
Hunter	Sewer Revenue	09/01/01 - 09/01/20	2.50%	81,000	0.02%
Hunter	Sewer Revenue	09/01/04 - 09/01/23	2.50%	29,500	0.01%
Hunter	Sewer Revenue	09/01/08 - 09/01/27	2.50%	128,000	0.03%
Hunter	Sewer Revenue	09/01/11 - 09/01/30	2.50%	143,032	0.03%
Jamestown	Special Assessments	09/01/97 - 09/01/16	2.50%	2,450,000	0.53%
Jamestown	Sewer Revenue	09/01/98 - 09/01/17	2.50%	3,315,000	0.72%
Jamestown	Sewer Revenue	09/01/97 - 09/01/16	2.50%	920,000	0.20%
Jamestown	Special Assessments	09/01/00 - 09/01/14	2.50%	240,000	0.05%
Jamestown	Sewer Revenue	09/01/01 - 09/01/16	2.50%	165,000	0.04%
Jamestown	Special Assessments	09/01/04 - 09/01/23	2.50%	1,020,000	0.22%
Jamestown	Sewer Revenue	09/01/07 - 09/01/26	2.50%	1,226,000	0.27%
Jamestown	Special Assessments	09/01/07 - 09/01/26	2.50%	1,239,000	0.27%
Jamestown	Sewer Revenue	09/01/11 - 09/01/30	2.50%	1,380,000 ⁽¹⁾	0.30%
Jamestown	Sewer Revenue	10/01/94 - 10/01/14	2.50%	370,000	0.08%
Jamestown	Solid Waste Revenue	10/01/96 - 10/01/15	2.50%	375,000	0.08%
Jamestown	Special Assessments	09/01/00 - 09/01/14	2.50%	140,000	0.03%
Kindred	Sewer Revenue	09/01/98 - 09/01/16	2.50%	54,498	0.01%
Kindred	Special Assessments	09/01/00 - 09/01/19	2.50%	570,000	0.12%
Kulm	Sewer Revenue/S.A.	09/01/02 - 09/01/21	2.50%	430,000	0.09%
Kulm	Sewer Revenue	09/01/11 - 09/01/30	2.50%	54,409	0.01%
Lake Metigoshe	Special Assessments	09/01/10 - 09/01/29	2.50%	250,000	0.05%
Lake Metigoshe Recreation	Special Assessments	09/01/02 - 09/01/21	2.50%	323,000	0.07%

North Dakota Public Finance Authority
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Closed Loans as of April 30, 2011
(Continued)

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Lakota	Sewer Revenue	09/01/99 - 09/01/17	2.50%	\$ 815,000	0.18%
Lakota	Sewer Revenue	09/01/07 - 09/01/26	2.50%	355,000	0.08%
Langdon	Sewer Revenue	09/01/11 - 09/01/30	2.50%	157,454	0.03%
Leonard	Special Assessments	09/01/08 - 09/01/27	2.50%	224,000	0.05%
Lidgerwood	Special Assessments	09/01/01 - 09/01/20	2.50%	51,000	0.01%
Lidgerwood	Sewer Revenue	09/01/05 - 09/01/24	2.50%	62,000	0.01%
Lincoln	Special Assessments	09/01/05 - 09/01/24	2.50%	176,000	0.04%
Linton	Sewer Revenue	09/01/03 - 09/01/22	2.50%	64,000	0.01%
Lisbon	Sewer Revenue	09/01/00 - 09/01/19	2.50%	46,000	0.01%
Lisbon	Special Assessments	09/01/01 - 09/01/20	2.50%	400,000	0.09%
Lisbon	Special Assessments	09/01/09- 09/01/28	2.50%	1,260,000 ⁽¹⁾	0.27%
Lisbon	Sewer Revenue	09/01/01 - 09/01/29	2.50%	1,435,000 ⁽¹⁾	0.31%
Litchville	Sewer Revenue	09/01/04 - 09/01/23	2.50%	170,000	0.04%
Mandan	Water Revenue	09/01/98 - 09/01/17	2.50%	2,650,000	0.57%
Mandan	Sewer Revenue	09/01/09 - 09/01/29	2.50%	1,545,663	0.34%
Mandan	Sewer Revenue	09/01/09 - 09/01/29	2.50%	1,000,000 ⁽¹⁾	0.22%
Mantador	Sewer Revenue	09/01/04 - 09/01/23	2.50%	35,200	0.01%
Manvel	Special Assessments	09/01/97 - 09/01/16	2.50%	170,000	0.04%
Mapleton	Sewer Revenue	09/01/98 - 09/01/12	2.50%	25,000	0.01%
Mapleton	Sewer Revenue	09/01/03 - 09/01/22	2.50%	53,000	0.01%
Mapleton	Sewer Revenue	09/01/05 - 09/01/24	2.50%	260,000	0.06%
Mapleton	Special Assessments	09/01/11 - 09/01/30	2.50%	825,800 ⁽¹⁾	0.18%
Max	Special Assessments	09/01/96 - 09/01/15	2.50%	18,750	0.00%
Mayville	Special Assessments	09/01/02 - 09/01/21	2.50%	655,000	0.14%
Mayville	Special Assessments	09/01/02 - 09/01/21	2.50%	715,000	0.16%
Mayville	Special Assessments	09/01/03 - 09/01/22	2.50%	2,025,000	0.44%
Mayville	Special Assessments	09/01/07 - 09/01/26	2.50%	291,000	0.06%
McVile	Sewer Revenue	09/01/07 - 09/01/26	2.50%	71,000	0.02%
Michigan	Special Assessments	09/01/10 - 09/01/29	2.50%	1,697,336 ⁽¹⁾	0.37%
Minnewauken	Special Assessments	09/01/98 - 09/01/17	2.50%	51,000	0.01%
Minot	Reserve Revenue	10/01/93 - 10/01/13	2.50%	120,000	0.03%
Morton County Water	Special Assessments	09/01/02 - 09/01/21	2.50%	171,000	0.04%
Mott	Sewer Revenue	09/01/96 - 09/01/15	2.50%	60,000	0.01%
Munich	Sewer Revenue	09/01/10 - 09/01/29	2.50%	126,550	0.03%
Napoleon	Sewer Revenue	09/01/97 - 09/01/16	2.50%	60,000	0.01%
Northwood	Sewer Revenue	10/01/93 - 10/01/13	2.50%	235,000	0.05%
Northwood	Sewer Revenue	09/01/95 - 09/01/14	2.50%	60,000	0.01%
Northwood	Sewer Revenue	09/01/11 - 09/01/30	2.50%	2,363,000 ⁽¹⁾	0.51%
Oakes	Sewer Revenue	09/01/03 - 09/01/17	2.50%	54,000	0.01%
Oakes	Sewer Revenue	09/01/04 - 09/01/23	2.50%	511,000	0.11%
Oakes	Sewer Revenue/S.A.	09/01/04 - 09/01/23	2.50%	455,000	0.10%
Oakes	Sewer Revenue	09/01/07 - 09/01/26	2.50%	810,000	0.18%
Oakes	Sewer Revenue	09/01/08- 09/01/27	2.50%	218,000	0.05%
Page	Special Assessments	09/01/97 - 09/01/16	2.50%	14,322	0.00%
Park River	Landfill Revenue	09/01/96 - 09/01/15	2.50%	155,000	0.03%
Portland	Sewer Revenue	09/01/97 - 09/01/16	2.50%	24,714	0.01%
Portland	Sewer Revenue	09/01/04 - 09/01/23	2.50%	210,000	0.05%
Portland	Sewer Revenue	09/01/07 - 09/01/26	2.50%	26,000	0.01%
Portland	Sewer Revenue	09/01/08- 09/01/27	2.50%	41,000	0.01%
Rice Lake Recreation Lake Service District	Special Assessments	09/01/07 - 09/01/26	2.50%	2,312,000	0.50%
Rolette	Sewer Revenue	09/01/02 - 09/01/21	2.50%	62,000	0.01%
Rutland	Sewer Revenue	09/01/06 - 09/01/25	2.50%	143,000	0.03%
Sanborn	Sewer Revenue	09/01/99 - 09/01/13	2.50%	15,000	0.00%
Sanborn	Sewer Revenue	09/01/02 - 09/01/21	2.50%	19,600	0.00%
SE Cass Water District	Special Assessments	09/01/07 - 09/01/26	2.50%	850,000 ⁽¹⁾	0.18%
SE Cass Water District	Special Assessments	09/01/99 - 09/01/18	2.50%	94,000	0.02%
Strasburg	Special Assessments	09/01/11 - 09/01/30	2.50%	1,600,000 ⁽¹⁾	0.35%

North Dakota Public Finance Authority
Clean Water State Revolving Fund Participants
Closed Loans as of April 30, 2011
(Continued)

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Stutsman Rural Water District	Sewer Revenue	09/01/10 - 09/01/29	0.50%	\$ 5,500,000 ⁽¹⁾	1.19%
Tappen	Special Assessments	09/01/10 - 09/01/28	2.50%	165,000	0.04%
Taylor	Sewer Revenue	09/01/99 - 09/01/13	2.50%	12,000	0.00%
Tower City	Sewer Revenue/S.A.	09/01/02 - 09/01/21	2.50%	300,000	0.07%
Tower City	Sewer Revenue	09/01/07 - 09/01/26	2.50%	101,000	0.02%
Valley City	Sewer Revenue	09/01/10 - 09/01/29	0.50%	480,000 ⁽¹⁾	0.10%
Velva	Sewer Revenue	09/01/06 - 09/01/28	2.50%	501,032 ⁽¹⁾	0.11%
Wahpeton	Sewer Revenue	10/01/93 - 10/01/14	2.50%	242,366	0.05%
Wahpeton	Special Assessments	09/01/04 - 09/01/23	2.50%	270,000	0.06%
Ward County Water Dist	Special Assessments	09/01/01 - 09/01/20	2.50%	450,000	0.10%
Warwick	Sewer Revenue	09/01/05 - 09/01/24	2.50%	27,000	0.01%
Watford City	Sewer Revenue	09/01/10 - 09/01/28	2.50%	740,000	0.16%
West Fargo	Sewer Revenue	10/01/93 - 10/01/13	2.50%	30,000	0.01%
West River Water District	Sewer Revenue	09/01/05 - 09/01/24	2.50%	251,000	0.05%
Williston	Sewer Revenue	09/01/02 - 09/01/21	2.50%	685,000	0.15%
Williston	Sewer Revenue	09/01/02 - 09/01/21	2.50%	790,000	0.17%
Willow City	Sewer Revenue	09/01/07 - 09/01/26	2.50%	129,000	0.03%
Wimbledon	Sewer Revenue	09/01/00 - 09/01/19	2.50%	41,000	0.01%
Wishek	Sewer Revenue	09/01/10 - 09/01/29	2.50%	178,547	0.04%
Wyndmere	Sewer Revenue	09/01/07 - 09/01/26	2.50%	<u>159,000</u>	<u>0.03%</u>
Total Clean Water SRF Loans Receivable				<u>\$221,266,726</u>	<u>47.97%</u>

(1) Not Fully Funded. Represents approved amount.

(2) Loan proceeds are being used by the Bank of North Dakota to make loans to individual irrigators for irrigation purposes; the Loan is payable from and secured by general revenues of the Bank of North Dakota.

The following Borrowers have Loan applications approved under the Clean Water SRF, but do not yet have executed Loan Agreements with the Authority.

Table B-2
North Dakota Public Finance Authority
Clean Water State Revolving Fund Program Participants
Approved Loans as of April 30, 2011

<u>Political Subdivision</u>	<u>Security</u>	<u>Loan Interest Rate</u>	<u>Approved Amount</u>	<u>% of Total Loan Balance</u>
Burleigh County WRD	Special Assessments	2.50%	\$ 239,026	0.05%
Devils Lake	Sewer Revenue	2.50%	2,500,000	0.54%
Fargo	Sewer Revenue	2.50%	921,565	0.20%
Hazen	Special Assessments	2.50%	320,000	0.07%
Pembina	Special Assessments	2.50%	<u>217,329</u>	<u>0.05%</u>
Total Approved (not Closed) Loans			<u>\$ 4,197,920</u>	<u>0.91%</u>
Aggregate Closed and Approved Loans - Clean Water SRF			<u>\$225,464,646</u>	<u>48.88%</u>

Tables B-3 and B-4 provide certain information with respect to Borrowers which have closed or approved Loans under the Drinking Water SRF. For fully funded Loans, "Loan Balance" constitutes the outstanding Loan amount after principal payments, if any, received as of April 30, 2011. For Loans not fully funded, "Loan Balance" constitutes the Loan amount approved for funding by the Authority.

Table B-3
North Dakota Public Finance Authority
Drinking Water State Revolving Fund Participants
Closed Loans as of April 30, 2011

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Abercrombie	Special Assessments	09/01/04 - 09/01/23	2.50%	\$ 183,000	0.04%
All Seasons Water Users Dist	Water Revenue	09/01/08 - 09/01/27	2.50%	185,000	0.04%
All Seasons Water Users Dist	Water Revenue	09/01/09 - 09/01/28	2.50%	206,675 ⁽¹⁾	0.04%
Aneta	Water Revenue	09/01/04 - 09/01/23	2.50%	125,400	0.03%
Argusville	Special Assessments	09/01/04 - 09/01/23	2.50%	270,000	0.06%
Argusville	Special Assessments	09/01/06 - 09/01/25	2.50%	168,000	0.04%
Barnes Rural Water District	Water Revenue	09/01/04 - 09/01/23	2.50%	580,000	0.13%
Barnes Rural Water District	Water Revenue	09/01/10 - 09/01/26	2.50%	1,950,000	0.42%
BDW Water System Assoc.	Water Revenue	09/01/10 - 09/01/29	2.50%	2,500,000 ⁽¹⁾	0.54%
Bismarck	Water Revenue	09/01/09 - 09/01/28	3.30%	16,320,000 ⁽¹⁾	3.54%
Bottineau	Water Revenue	09/01/06 - 09/01/25	2.50%	587,000	0.13%
Buffalo	Water Revenue	09/01/11 - 09/01/30	2.50%	98,922	0.02%
Carrington	Water Revenue	09/01/09 - 09/01/28	2.50%	221,000	0.05%
Cass Rural Water Users Dist	Water Revenue	09/01/04 - 09/01/23	2.50%	1,435,000	0.31%
Cass Rural Water Users Dist	Water Revenue	09/01/09 - 09/01/29	2.80%	1,223,605	0.27%
Casselton	Water Revenue	09/01/04 - 09/01/23	2.50%	920,000	0.20%
Center	Water Revenue	09/01/06 - 09/01/25	2.50%	358,800 ⁽¹⁾	0.08%
Central Plains Water Dist	Water Revenue	09/01/06 - 09/01/25	2.50%	1,388,000	0.30%
Christine	Water Revenue	09/01/08 - 09/01/27	2.50%	200,000	0.04%
Cleveland	Water Revenue	09/01/03 - 09/01/22	2.50%	123,000	0.03%
Columbus	Water Revenue	09/01/07 - 09/01/26	2.50%	37,000	0.01%
Cooperstown	Water Revenue	09/01/01 - 09/01/20	2.50%	170,000	0.04%
Cooperstown	Water Revenue	09/01/06 - 09/01/25	2.50%	320,000 ⁽¹⁾	0.07%
Crosby	Water Revenue	09/01/09 - 09/01/28	2.50%	2,361,275 ⁽¹⁾	0.51%
Devils Lake	Water Revenue	09/01/08 - 09/01/27	2.50%	3,320,000	0.72%
Drayton	Special Assessments	09/01/03 - 09/01/12	2.50%	42,000	0.01%
Enderlin	Special Assessments	09/01/01 - 09/01/20	2.50%	100,000	0.02%
Enderlin	Water Revenue	09/01/03 - 09/01/22	2.50%	58,000	0.01%
Enderlin	Water Revenue	09/01/10 - 09-01-29	2.50%	300,000 ⁽¹⁾	0.07%
Fargo	Water Revenue	09/01/08 - 09-01-27	2.50%	2,270,000	0.49%
Fargo	Water Revenue	09/01/09 - 09/01/29	2.80%	29,240,000 ⁽¹⁾	6.34%
Finley	Special Assessments	09/01/01 - 09/01/20	2.50%	1,512,800	0.33%
Garrison	Water Revenue	09/01/10 - 09/01/19	2.50%	425,000 ⁽¹⁾	0.09%
Grafton	Water Revenue	09/01/02 - 09/01/21	2.50%	190,000	0.04%
Grafton	Water Revenue	09/01/04 - 09/01/23	2.50%	830,000	0.18%
Grand Forks	Water Revenue	09/01/01 - 09/01/20	2.50%	6,370,000	1.38%
Grand Forks	Water Revenue	09/01/02 - 09/01/21	2.50%	6,130,000	1.33%
Grand Forks - Traill Water District	Water Revenue	09/01/03 - 09/01/22	2.50%	2,630,000	0.57%
Grand Forks - Traill Water District	Water Revenue	09/01/10 - 09/01/29	2.50%	3,396,880 ⁽¹⁾	0.74%
Grand Forks Traill Water District	Water Revenue	09/01/07 - 09/01/26	2.50%	1,050,000	0.23%
Hankinson	Special Assessments	09/01/02 - 09/01/21	2.50%	230,000	0.05%
Hankinson	Special Assessments	09/01/09 - 09/01/28	2.50%	95,000 ⁽¹⁾	0.02%
Hannaford	Water Revenue	09/01/08 - 09/01/28	2.50%	49,000	0.01%
Harvey	Special Assessments	09/01/02 - 09/01/21	2.50%	280,000	0.06%
Harvey	Water Revenue	09/01/05 - 09/01/24	2.50%	520,000	0.11%
Harvey	Water Revenue	09/01/07 - 09/01/26	2.50%	75,000	0.02%
Harwood	Special Assessments	09/01/02 - 09/01/21	2.50%	535,000	0.12%
Hazelton	Water Revenue/S.A.	09/01/09 - 09/01/28	2.50%	230,319	0.05%
Hazen	Water Revenue	09/01/04 - 09/01/23	2.50%	750,000	0.16%
Hillsboro	Special Assessments	09/01/07 - 09/01/21	2.50%	935,000	0.20%

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<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Hillsboro	Special Assessments	09/01/10 - 09/01/29	2.50%	\$ 299,413 ⁽¹⁾	0.06%
Hillsboro	Water Revenue	09/01/10 - 09/01/29	0.50%	1,351,400 ⁽¹⁾	0.29%
Hope	Water Revenue	09/01/09 - 09/01/28	2.50%	168,000	0.04%
Jamestown	Water Revenue	09/01/06 - 09/01/25	2.50%	1,990,000	0.43%
Jamestown	Water Revenue	09/01/07 - 09/01/26	2.50%	1,795,000	0.39%
Jamestown	Water Revenue	09/01/11 - 09/01/30	2.50%	5,650,000 ⁽¹⁾	1.22%
Karlsruhe	Water Revenue	09/01/10 - 09/01/29	0.50%	873,100 ⁽¹⁾	0.19%
Kenmare	Water Revenue	09/01/10 - 09/01/29	0.50%	500,000 ⁽¹⁾	0.11%
Kulm	Water Revenue	09/01/11 - 09/01/30	2.50%	35,000 ⁽¹⁾	0.01%
Lakota	Water Revenue/S.A.	09/01/10 - 09/01/28	2.50%	184,000	0.04%
Langdon	Water Revenue	09/01/03 - 09/01/22	2.50%	340,000	0.07%
Larimore	Water Revenue	09/01/03 - 09/01/22	2.50%	1,290,000	0.28%
Leeds	Water Revenue	09/01/04 - 09/01/23	2.50%	130,000	0.03%
Leeds	Water Revenue	09/01/09 - 09/01/28	2.50%	35,000	0.01%
Lincoln	Water Revenue	09/01/04 - 09/01/23	2.50%	230,000	0.05%
Lincoln	Special Assessments	09/01/04 - 09/01/23	2.50%	216,500	0.05%
Linton	Water Revenue	09/01/03 - 09/01/22	2.50%	370,000	0.08%
Lisbon	Special Assessments	09/01/01 - 09/01/20	2.50%	510,000	0.11%
Lisbon	Water Revenue/S.A.	09/01/02 - 09/01/21	2.50%	285,000	0.06%
Lisbon	Water Revenue/S.A.	09/01/02 - 09/01/21	2.50%	265,000	0.06%
Lisbon	Water Revenue	09/01/04 - 09/01/23	2.50%	320,000	0.07%
Lisbon	Special Assessments	09/01/09 - 09/01/28	2.50%	1,165,000 ⁽¹⁾	0.25%
Lisbon	Water Revenue	09/01/09 - 09/01/28	2.50%	330,000 ⁽¹⁾	0.07%
Lisbon	Water Revenue	09/01/10 - 09/01/29	2.50%	1,860,000 ⁽¹⁾	0.40%
Mandan	Water Revenue	09/01/02 - 09/01/21	2.50%	2,688,000	0.58%
Mandan	Water Revenue	09/01/09 - 09-01-28	2.50%	4,511,900 ⁽¹⁾	0.98%
Mandan	Water Revenue	09/01/09 - 09/01/28	3.30%	8,600,000 ⁽¹⁾	1.86%
Mandan	Water Revenue	09/01/11 - 09/01/30	2.80%	7,000,000 ⁽¹⁾	1.52%
Mapleton	Water Revenue	09/01/06 - 09/01/25	2.50%	64,000	0.01%
Mapleton	Water Revenue	09/01/10 - 09/01/28	2.50%	1,064,000	0.23%
Mayville	Special Assessments	09/01/02 - 09/01/21	2.50%	620,000	0.13%
Mayville	Water Revenue	09/01/07 - 09/01/26	2.50%	270,000	0.06%
McLean-Sheridan Water Dist	Water Revenue	09/01/07 - 09/01/26	2.50%	457,000	0.10%
New Rockford	Water Revenue	09/01/99 - 09/01/18	2.50%	125,000	0.03%
Noonan	Water Revenue	09/01/06 - 09/01/25	2.50%	32,000	0.01%
North Prairie Water District	Water Revenue	09/01/07 - 09/01/26	2.50%	5,169,000	1.12%
North Valley Water District	Water Revenue	09/01/03 - 09/01/22	2.50%	2,765,000	0.60%
North Valley Water District	Water Revenue	09/01/08 - 09/01/27	2.50%	2,299,000	0.50%
Oakes	Water Revenue	09/01/04 - 09/01/23	2.50%	108,000	0.02%
Oxbow	Special Assessments	09/01/02 - 09/01/21	2.50%	290,000	0.06%
Page	Water Revenue	09/01/07 - 09/01/26	2.50%	80,000	0.02%
Park River	Special Assessments	09/01/99 - 09/01/16	2.50%	95,000	0.02%
Park River	Water Revenue	09/01/06 - 09/01/25	2.50%	614,000	0.13%
Park River	Water Revenue	09/01/07 - 09/01/26	2.50%	455,000	0.10%
Parshall	Water Revenue	09/01/10 - 09/01/29	2.50%	2,887,500 ⁽¹⁾	0.63%
Pick City	Special Assessments	09/01/06 - 09/01/25	2.50%	224,260 ⁽¹⁾	0.05%
Portal	Special Assessments	09/01/07 - 09/01/26	2.50%	42,000	0.01%
Ramsey County Water Dist	Water Revenue	09/01/03 - 09/01/22	2.50%	2,382,000	0.52%
Ray	Water Revenue	09/01/10 - 09/01/28	2.50%	950,000	0.21%
Ray	Water Revenue	09/01/10 - 09/01/29	0.50%	864,000 ⁽¹⁾	0.19%
Riverdale	Water Revenue	09/01/06 - 09/01/25	2.50%	542,000	0.12%
South Central Regional Water	Water Revenue	09/01/08 - 09/01/27	2.50%	7,030,000	1.52%
South Central Regional Water	Water Revenue	09/01/09 - 09-01-28	2.50%	3,690,000	0.80%
South Central Regional Water	Water Revenue	10/01/11 - 10/01/30	2.50%	4,600,000 ⁽¹⁾	1.00%
Southeast Water Users Dist	Water Revenue	09/01/02 - 09/01/21	2.50%	36,000	0.01%
Southeast Water Users Dist	Water Revenue	09/01/03 - 09/01/22	2.50%	955,000	0.21%
Southeast Water Users Dist	Water Revenue	09/01/06 - 09/01/25	2.50%	645,000	0.14%
Southeast Water Users Dist	Water Revenue	09/01/07 - 09/01/26	2.50%	3,899,000	0.85%

North Dakota Public Finance Authority
Drinking Water State Revolving Fund Participants
Closed Loans as of April 30, 2011
(Continued)

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Southeast Water Users Dist	Water Revenue	09/01/07 - 09/01/26	2.50%	\$ 154,000	0.03%
Southeast Water Users Dist	Water Revenue	09/01/07 - 09/01/26	2.50%	2,630,000	0.57%
Southeast Water Users Dist	Water Revenue	09/01/08 - 09/01/28	2.50%	523,000	0.11%
Southeast Water Users Dist	Water Revenue	09/01/10 - 09/01/29	2.50%	1,800,000 ⁽¹⁾	0.39%
Southeast Water Users Dist	Water Revenue	09/01/10 - 09/01/29	2.50%	565,000 ⁽¹⁾	0.12%
St. John	Water Revenue	09/01/00 - 09/01/19	2.50%	221,000	0.05%
State Line Water Cooperative	Taxable Water Revenue	09/01/10 - 09/01/29	3.50%	275,000 ⁽¹⁾	0.06%
State Water Commission	Water Revenue	09/01/01 - 09/01/20	2.50%	825,000	0.18%
Strasburg	Special Assessments	09/01/10 - 09/01/29	0.50%	2,230,000 ⁽¹⁾	0.48%
Stutsman Rural Water District	Water Revenue	09/01/01 - 09/01/20	2.50%	375,000	0.08%
Stutsman Rural Water District	Water Revenue	09/01/05 - 09/01/24	2.50%	151,000	0.03%
Stutsman Rural Water District	Water Revenue	09/01/06 - 09/01/25	2.50%	943,000	0.20%
Tioga	Special Assessments	09/01/05 - 09/01/19	2.50%	310,000	0.07%
Tri-County Water District	Water Revenue	09/01/08 - 09/01/27	2.50%	300,000 ⁽¹⁾	0.07%
Valley City	Water Revenue	09/01/01 - 09/01/20	2.50%	880,000	0.19%
Valley City	Water Revenue	09/01/10 - 09/01/29	0.50%	4,646,000 ⁽¹⁾	1.01%
Velva	Special Assessments	09/01/06 - 09/01/25	2.50%	1,125,000	0.24%
Velva	Water Revenue	09/01/09 - 09/01/28	2.50%	454,074 ⁽¹⁾	0.10%
Wahpeton	Water Revenue	09/01/00 - 09/01/19	2.50%	160,000	0.03%
Wahpeton	Special Assessments	09/01/04 - 09/01/23	2.50%	1,421,000	0.31%
Walcott	Water Revenue	09/01/06 - 09/01/25	2.50%	131,000	0.03%
Walsh Rural Water District	Water Revenue	09/01/01 - 09/01/20	2.50%	1,685,000	0.37%
Walsh Water District	Water Revenue	09/01/07 - 09/01/26	2.50%	1,555,000	0.34%
Washburn	Water Revenue	09/01/06 - 09/01/25	2.50%	1,977,000 ⁽¹⁾	0.43%
Washburn	Water Revenue	09/01/10 - 09/01/29	0.50%	4,668,000 ⁽¹⁾	1.01%
Watford City	Water Revenue	09/01/10 - 09/01/28	2.50%	319,000	0.07%
Wildrose	Water Revenue	09/01/06 - 09/01/25	2.50%	41,500	0.01%
Wildrose	Water Revenue	09/01/10 - 09/01/29	0.50%	1,780,000 ⁽¹⁾	0.39%
Williams Rural Water District	Water Revenue	09/01/05 - 09/01/24	2.50%	1,190,000	0.26%
Williston	Water Revenue/S.A.	09/01/00 - 09/01/19	2.50%	2,385,000	0.52%
Williston	Water Revenue	09/01/04 - 09/01/23	2.50%	2,605,000	0.56%
Williston	Water Revenue	09/01/06 - 09/01/25	2.50%	14,785,000	3.21%
Wimbledon	Water Revenue	09/01/10 - 09/01/29	0.50%	<u>243,353</u>	<u>0.05%</u>
Total Clean Water SRF Loans Receivable				<u>\$233,094,676</u>	<u>50.54%</u>

⁽¹⁾ Not Fully Funded. Represents approved amount.

The following Borrowers have Loan applications approved under the Drinking Water SRF, but do not yet have executed Loan Agreements with the Authority.

Table B-4
North Dakota Public Finance Authority
Drinking Water State Revolving Fund Program Participants
Approved Loans as of April 30, 2011

<u>Political Subdivision</u>	<u>Security</u>	<u>Loan Interest Rate</u>	<u>Approved Amount</u>	<u>% of Total Loan Balance</u>
Page	Water Revenue	2.50%	\$ 82,500	0.16%
Garrison Rural WD	Water Revenue	2.50%	720,000	0.02%
Pembina	Special Assessments	2.50%	1,563,654	0.34%
Sawyer	Water Revenue	2.50%	<u>311,905</u>	<u>0.07%</u>
Total Approved (not Closed) Loans			<u>\$ 2,678,059</u>	<u>0.58%</u>
Aggregate Closed and Approved Loans - Drinking Water SRF			<u>\$235,772,735</u>	<u>51.12%</u>

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APPENDIX C

Summary of Certain Provisions of the Master Trust Indenture

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The following is a brief summary of certain provisions of the Master Trust Indenture and is not to be considered as a full statement of the provisions of the Master Trust Indenture. The summary is qualified by reference to and is subject to the complete Master Trust Indenture, copies of which may be examined at the offices of the Authority.

DEFINITIONS

“Act” means the North Dakota Public Finance Authority Act, Chapter 6-09.4, North Dakota Century Code, as amended from time to time.

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

“Administrative Agreements” means the Clean Water Administrative Agreement and the Drinking Water Administrative Agreement.

“Allocation Order” means a certificate or directive executed by the Executive Director providing for the initial deposit of Bond proceeds and any subsequent transfers between Funds and Accounts and establishing the allocations of the proceeds of that Series of Bonds for purposes of the determinations of the Clean Water State Match Portion, Drinking Water State Match Portion, Clean Water Leveraged Portion and Drinking Water Leveraged Portion.

“Authority Request” means the written request of the Authority signed by the Executive Director or other officer authorized by the Industrial Commission to sign on behalf of the Authority.

“Bond” or “Bonds” means the Existing Bonds and any of the bonds of the Authority issued pursuant to the Act, the Master Trust Indenture and a Series Resolution.

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

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

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

“Borrower” means a political subdivision or other entity eligible to receive a loan under the Act, the CWSRF Act or the DWSRF Act for the purposes set forth in the Master Trust Indenture.

“Clean Water Act” means the Federal Water Pollution Control Act, more commonly known as the Clean Water Act (PL 92-500), as amended by the Water Quality Control Act of 1987 (PL 100-4), 33 U.S.C. 1251 et. seq., and any subsequent amendments thereto, and includes the State Revolving Fund Program Implementation Regulations and amendments thereof issued pursuant thereto.

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

“Clean Water Administrative Agreement” means the Administrative Agreement between the Department and the Authority, dated as of September 15, 1990.

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

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

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

“Clean Water Municipal Security” or “Clean Water Municipal Securities” means any Municipal Security or Municipal Securities acquired for a purpose of the Clean Water Act.

“Clean Water Portion” means all of the principal and interest on the Outstanding Clean Water Bonds and the portion of the principal and interest on other Bonds determined in accordance with the Master Trust Indenture.

“Clean Water Reimbursement Obligation” means the obligation of the Authority to reimburse the Clean Water SRF for any amounts transferred to the Drinking Water Bond Fund to pay the Drinking Water Portion of principal and interest on Bonds when due.

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

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

“Clean Water SRF” means the State Revolving Fund established under the Master Trust Indenture in accordance with the Clean Water Act.

“Clean Water State Match Portion” means, with respect to the Clean Water Portion of any principal or interest on any Bonds, the portion of such principal or interest determined in accordance with the Master Trust Indenture.

“Clean Water State Match Reserve Requirement” means as of any date the largest amount of the State Match Portion of the Clean Water Portion of principal (including Sinking Fund Installments) and interest in the then current or any succeeding calendar year on Existing Bonds then Outstanding and all other then Outstanding Bonds having a Clean Water State Match Portion which were designated in a Series Resolution as being entitled to the benefits of the Clean Water Reserve Fund.

“Clean Water Total Reserve Requirement” means the largest amount of the Clean Water Portion of principal and interest in the then current or any succeeding calendar year on all Existing Bonds then Outstanding and all other then Outstanding Bonds which were designated in a Series Resolution as being entitled to the benefits of the Clean Water Reserve Fund.

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

“Costs of Issuance” means any and all items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds.

“Coverage Certificate” means a projection prepared by the Executive Director showing schedules of the Projected Revenue and of the principal and interest payments on the Bonds at the time Outstanding and to be issued.

“Covered Bonds” means the Existing Bonds and any other Bonds entitled to the benefits of the Clean Water Reserve Fund or the Drinking Water Reserve Fund.

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

“Credit Standard” means the credit criteria established from time to time by the Authority for the making of Loans from the Federally Capitalized Loan Accounts, the Leveraged Loan Accounts or the State Match Loan Accounts of the Loan Funds.

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

“Defeasance Obligations” means Investment Obligations that are described in clause (a) of the definition of “Investment Obligations.”

“Department” means the North Dakota Department of Health, an agency and instrumentality of the State of North Dakota, or any successor to its functions.

“Depository” means the Bank of North Dakota and any other bank, trust company, national banking association or savings institution qualified as a depository of moneys and securities held under the Master Trust Indenture.

“Drinking Water Act” means the Federal Safe Drinking Water Act (PL 93-523), as amended by the Safe Drinking Water Act Amendments of 1996 (PL 104-182), 42 U.S.C. §§ 300f et. seq., and any subsequent amendments thereto, and includes any regulations or administrative guidelines issued pursuant thereto.

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

“Drinking Water Administrative Agreement” means the Administrative Agreement between the Department and the Authority, executed by the Authority on June 18, 1997 and by the Department on June 23, 1997, as amended from time to time.

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

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

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

“Drinking Water Municipal Security” or “Drinking Water Municipal Securities” means any Municipal Security or Municipal Securities acquired for a purpose of the Drinking Water Act.

“Drinking Water Portion” means the portion of principal and interest on Bonds determined in accordance with the Master Trust Indenture.

“Drinking Water Reimbursement Obligation” means the obligation of the Authority to reimburse the Drinking Water SRF for any amounts transferred to the Clean Water Bond Fund to pay the Clean Water Portion of principal and interest on Bonds when due.

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

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

“Drinking Water SRF” means the State Revolving Fund established under the Master Trust Indenture in accordance with the Drinking Water Act.

“Drinking Water State Match Portion” means, with respect to the Drinking Water Portion of any principal or interest on any Bonds, the portion of such principal or interest determined in accordance with the Master Trust Indenture.

“Drinking Water State Match Reserve Requirement” means as of any date the largest amount of the Drinking Water State Match Portion of principal (including Sinking Fund Installments) and interest in the then current or any succeeding calendar year on all Existing Bonds then Outstanding and all other then Outstanding Bonds having a Drinking Water State Match Portion which were designated in a Series Resolution as being entitled to the benefits of the Drinking Water Reserve Fund.

“Drinking Water Total Reserve Requirement” means as of any date the largest amount of the Drinking Water Portion of principal and interest in the then current or any succeeding calendar year on all Existing Bonds then Outstanding and all other then Outstanding Bonds which were designated in a Series Resolution as being entitled to the benefits of the Drinking Water Reserve Fund.

“Event of Default” means any of those events defined as Events of Default.

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

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

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

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

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

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

“Executive Director” means the Executive Director of the Authority or any other officer of the Authority who is the chief administrative officer thereof.

“Existing Bonds” means the Bonds which were Outstanding on July 1, 2011.

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

“Industrial Commission” means the Industrial Commission of North Dakota.

“Investment Obligations” means and includes any of the following, if and to the extent the same are at the time not prohibited by law for investment of the Authority’s moneys:

(a) Direct obligations of, or obligations the prompt payment of principal and interest on which are fully guaranteed by, the United States of America;

(b) Bonds, debentures, notes or other evidences of indebtedness issued or fully insured or guaranteed by any agency or instrumentality of the United States of America which is backed by the full faith and credit of the United States of America;

(c) Interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with any Depository (including the Trustee), provided that such deposits, certificates and other arrangements, if other than with the Bank of North Dakota, are fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in clauses (a) to (b), inclusive, of this definition, or a combination thereof;

(d) Money market funds or similar funds which either (i) invest exclusively in obligations described in clauses (a), (b), (e) or (f) of this definition, or a combination thereof, or (ii) are rated in the highest rating category established by the Rating Agency;

(e) Bonds, debentures, notes or other evidences of indebtedness issued by any state of the United States of America or any political subdivision thereof or any public authority or body or instrumentality therein which constitute obligations in the highest rating category described in Section 103(a) of the Code and which are described in (i) below or are rated by the Rating Agency either (i) in the highest rating category for short-term obligations or (ii) the greater of A or the then current rating assigned by the Rating Agency to the Bonds without regard to credit enhancement for long-term obligations;

(f) Any repurchase agreement or similar financial transaction with a national banking association or a bank or trust company organized under the laws of any state (including the Trustee), or with a government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by a perfected security interest in any one or more of the securities described in clauses (a) or (b) and which have an aggregate market value (determined at least weekly) at least equal to the amount invested;

(g) Guaranteed investment contracts described in (j) below or issued, secured or guaranteed by a corporation or national banking association which has, at the time the contract is entered into, a long-term debt rating by the Rating Agency at least equal to the better of (i) A, or (ii) the then current rating assigned by the Rating Agency to the Bonds without regard to credit enhancement for long-term obligations;

(h) Commercial paper issued by United States corporations or their Canadian subsidiaries which matures in 270 days or less and which has a short-term debt rating by the Rating Agency in the highest rating category.

The term also includes the following, to the extent purchased with funds reasonably allocable by the Trustee to amounts deposited in the Reserve Funds or Loan Funds after July 1, 2011, or amounts deposited in the Revenue Funds and Bond Funds which are derived from Loans funded from sources other than the proceeds of Existing Bonds or investment earnings on proceeds of Existing Bonds:

(i) Bonds, debentures, notes or other evidences of indebtedness issued by any state of the United States of America or any political subdivision thereof or any public authority or body or instrumentality therein which constitute obligations described in Section 103(a) of the Code and which are rated by the Rating Agency either (i) in the highest rating category for short-term obligations or (ii) in the two highest rating categories by the Rating Agency;

(j) Guaranteed investment contracts issued, secured or guaranteed by a corporation or national banking association which has, at the time the contract is entered into, a long-term debt rating by the Rating Agency in the two highest rating categories;

(k) Obligations of the International Bank for Reconstruction and Development, which are rated in the highest rating category by the Rating Agency and are backed by the paid in and callable capital of the World Bank Group;

(l) Pre-refunded municipal obligations that are defeased by direct obligations of the United States of America;

(m) U.S. dollar denominated deposit accounts, Federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase in the highest rating category by the Rating Agency and maturing no more than 365 calendar days after the date of purchase; and

(n) A forward purchase agreement that provides for future delivery of one of the existing permitted Investment Obligations described in clauses (a) to (m) above.

"Letter of Credit" means the EPA/ACH Payment System or any other funding arrangement for capitalization grants by the United States of America pursuant to the Drinking Water Act or Clean Water Act for the benefit of the State of North Dakota.

"Leveraged Bond Accounts" means the Accounts of the Bond Funds so designated as described in the Master Trust Indenture.

"Leveraged Loan Accounts" means the Accounts of the Loan Funds so designated as described in the Master Trust Indenture.

"Leveraged Portion" means, with respect to the Drinking Water Portion or Clean Water Portion of principal of and interest on the Bonds, the portion of such principal and interest determined in accordance with the Master Trust Indenture.

"Loan" means a loan of funds in the Loan Funds to a Borrower in accordance with the Master Trust Indenture.

"Loan Agreement" means any loan agreement between the Authority and a Borrower relating to a loan of moneys from a Loan Fund.

"Loan Funds" means the Clean Water Loan Fund and the Drinking Water Loan Fund.

"Municipal Security" means any evidence of indebtedness acquired by the Authority pursuant to a Loan Agreement which is issued by a Borrower but does not include an evidence of indebtedness issued pursuant to Chapter 40-57, North Dakota Century Code, except as authorized by the Act.

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

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

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

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

"Projected Clean Water Revenue" as of the date of a Coverage Certificate means (i) the scheduled principal and interest payments on all Clean Water Municipal Securities held by the Trustee or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal and interest on Clean Water Municipal Securities which either (A) are then in default in the payment of principal or

interest, or (B) failed to meet the Credit Standard in effect at the time the Clean Water Municipal Securities were acquired and, if a revenue obligation payable from net revenues of a utility, also failed to meet the coverage requirement of the applicable Credit Standard during both of the last two complete fiscal years, and (ii) the principal and interest which the Executive Director estimates will be received on investments of all other amounts then held or expected to be deposited in any Clean Water Fund or Account under the Master Trust Indenture, including amounts which are reasonably expected to be drawn under the Clean Water Letter of Credit.

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

“Projected Revenue” means Projected Clean Water Revenue and Projected Drinking Water Revenue.

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

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

“Refunding Bonds” means any Bonds issued under the Master Trust Indenture, the proceeds of which are to be used to pay the principal of or interest on any Outstanding Bonds.

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

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

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

“Restricted Revenue Accounts” means the Accounts of the Revenue Funds so designated as described in the Master Trust Indenture.

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

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

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

“Series Reserve Fund” means a reserve fund or account established for a single Series of Bonds as permitted by the Master Trust Indenture.

“Series Resolution” means a resolution adopted by the Industrial Commission pursuant to the Master Trust Indenture authorizing the issuance of a Series of Bonds.

“Special Reserve Accounts” means the Accounts of the Reserve Funds so designated as described in the Master Trust Indenture.

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

“State” means the State of North Dakota.

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

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

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

“State Match Portion” means, with respect to the Drinking Water Portion or Clean Water Portion of any principal or interest on any Bonds, the portion of such principal or interest determined in accordance with the Master Trust Indenture.

“State Match Reserve Requirements” means Drinking Water State Match Reserve Requirement and the Clean Water State Match Reserve Requirement.

“Total Reserve Requirements” means the Drinking Water Total Reserve Requirement and the Clean Water Total Reserve Requirement.

“Trustee” means the Bank of North Dakota and any successor or successors at any time substituted in its place as Trustee pursuant to the Master Trust Indenture.

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

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

“Unrestricted Revenue Accounts” means the Accounts of the Revenue Funds so designated as described in the Master Trust Indenture.

SUMMARY OF MASTER TRUST INDENTURE

Conditions for Authentication of Bonds

For any Bonds to be issued under the Master Trust Indenture, there must be delivered to the Trustee the following:

(a) A certified copy of the Series Resolution authorizing the issuance of the Bonds of such series.

(b) Except in the case of Refunding Bonds issued to pay principal or interest on Bonds for the payment of which sufficient funds are not expected to be available, a Coverage Certificate, with supporting schedules, estimating that, as of each Bond Payment Date, (i) if the Drinking Water Bonds to be issued are expected to include a Drinking Water Portion, Projected Revenue available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Drinking Water Bond Fund will be sufficient to pay respectively the State Match Portion and the Leveraged Portion of the Drinking Water Portions of principal and interest due on each Bond Payment Date on all Bonds then Outstanding (except Bonds and interest thereon refunded from the proceeds of the Bonds to be issued) and the Drinking Water Portion of principal and interest on the Bonds to be issued, and (ii) if the Bonds to be issued are expected to include a Clean Water Portion, Projected Clean Water Revenue available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Clean Water Bond Fund will be sufficient to pay respectively the State Match Portion and the Leveraged Portion of the Clean Water Portions of principal and interest due on each Bond Payment Date on all Bonds then Outstanding (except the Clean Water Portions of the Bonds and interest thereon refunded from the proceeds of the Bonds to be issued) and the Clean Water Portion of principal and interest on the Bonds to be issued.

(c) Unless clause (j) below applies, except in the case of Refunding Bonds issued to pay principal or interest on Bonds for the payment of which sufficient funds are not expected to be available, a Coverage Certificate, with supporting schedules, estimating that, during each year that the Bonds to be issued are scheduled to be Outstanding, (i) if the Bonds to be issued include a Drinking Water Portion, Projected Drinking Water Revenue will be at least 120% of the Drinking Water Portions of principal and interest due in each such year on all then Outstanding and to be issued Bonds and (ii) if the Bonds to be issued include a Clean Water Portion, Projected Clean Water Revenue will be at least 120% of the Clean Water Portions of principal and interest due in each such year on all then Outstanding and to be issued Bonds.

(d) A Certificate of the Executive Director establishing estimates of the Drinking Water Portion and the Clean Water Portion of payments of principal and interest on the Bonds and estimates of the State Match Portion and the Leveraged Portion with respect to any Drinking Water Portion and any Clean Water Portion of the payments of principal and interest on the Bonds.

(e) An order for authentication and delivery of Bonds hereunder, signed by the Executive Director.

(f) The approving opinion of Bond Counsel for the Authority.

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

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

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

(j) From and after approval of clause (1) as described under "Purposes for Which Supplemental Indentures May Be Entered Into" below and in lieu of clause (c) above, except in the case of Refunding Bonds issued to pay principal or interest on Bonds for the payment of which sufficient funds are not expected to be available, a Coverage Certificate, with supporting schedules, estimating that, during each year that the Bonds are to be issued are scheduled to be Outstanding, Projected Revenue will be at least 120% of principal and interest due in each year on all then Outstanding and to be issued Bonds.

Proceeds of Bonds of a Series; Determination of Drinking Water Portion, Clean Water Portion, Leveraged Portion and State Match Portion

The proceeds of the sale and delivery of the Bonds of each Series shall be applied, except as provided for Refunding Bonds, as follows:

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

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

(c) Subject to certain limitations, the amounts, if any, required to be deposited in the Restricted Reserve Accounts and the Special Reserve Accounts of the Reserve Funds pursuant to the applicable Series Resolution shall be deposited in each such Account; and

(d) Except in the case of Refunding Bonds, the balance shall be divided between the Drinking Water Loan Fund and the Clean Water Loan Fund as specified in the Series Resolutions or by the Executive Director and shall be deposited in such Loan Funds accordingly. Bond proceeds initially deposited in each Loan Fund shall be divided between the Leveraged Loan Account and the State Match Loan Account as specified in the Series Resolution or by the Executive Director.

At any time prior to the earlier of (i) the date all the proceeds of a Series of Bonds have been expended or (ii) three years after the issuance of a Series of Bonds, the Executive Director may issue an Allocation Order directing the transfer of the amounts initially deposited in any Fund or Account and earnings thereon to any other Fund or Account established hereunder provided that, following such transfer, all requirements, including the funding of any required reserves, which would have applied to such new allocation of proceeds if made on the date of issuance of the Series of Bonds are satisfied.

The Drinking Water Portion and the Clean Water Portion, respectively, of principal and interest payments on each Series of Bonds and Bonds within a Series, shall be either (i) all principal and interest payments on particular Bonds within the Series designated by the Allocation Order as being Drinking

Water Portion Bonds or Clean Water Portion Bonds, each respectively in a principal amount (rounded to the nearest \$5,000) equal to the principal amount of all Bonds of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Bonds allocated to the Drinking Water SRF (when determining the amount of the Drinking Water Portion Bonds) or (B) the amount of proceeds allocated to the Clean Water SRF (when determining the amount of the Clean Water Portion Bonds), and the denominator of which is the total amount of proceeds of the Bonds of such Series deposited in both SRFs, (ii) that portion of all principal and interest payments on the Bonds of such Series which equals the ratio between the amount of proceeds of such Series of Bonds allocated to the Drinking Water SRF or the Clean Water SRF, respectively as the case may be, and the total amount of proceeds of such Bonds deposited in both SRFs, or (iii) separate portions of the principal and interest due on each interest payment date as specified by an Allocation Order, aggregating for the Series the portion of total principal and interest on the Bonds of such Series due on such interest payment date equal to the ratio between (A) the total amount allotted to the Clean Water or Drinking Water SRF and (B) total proceeds of such series of Bonds. The Drinking Water Portion and Clean Water Portion, respectively, of principal and interest payments on any Series of Refunding Bonds shall be either (i) all principal and interest payments on any particular Bonds within the Series designated by the Allocation Order as being Drinking Water Portion Bonds or Clean Water Portion Bonds, each respectively in a principal amount equal to the principal amount of all Bonds of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Refunding Bonds necessary to pay or defease the Drinking Water Portion of the Bonds to be paid or defeased (when determining the amount of the Drinking Water Portion Bonds) or (B) the amount of proceeds of the Refunding Bonds necessary to pay or defease the Clean Water Portion of the Bonds to be paid or defeased (when determining the amount of the Clean Water Portion Bonds) and the denominator of which is the total amount of the proceeds of the Refunding Bonds to be used to pay or defease Outstanding Bonds, (ii) that portion of all principal and interest payments on the Refunding Bonds which equals the ratio between the proceeds of such Refunding Bonds to be used to pay or defease the Drinking Water Portion or Clean Water Portion of the Bonds to be paid or defeased, respectively as the case may be, and the total amount of proceeds of the Refunding Bonds to be used to pay or defease Outstanding Bonds, or (iii) separate portions for each interest payment date as specified in a schedule identified in the Allocation Order which corresponds as closely as practicable to the Drinking Water Portion and Clean Water Portion of Bonds being refunded. For each Series of Bonds, the total of the Drinking Water Portion and Clean Water Portion shall equal 100% of the principal and interest on such Series of Bonds. If Bonds are redeemed prior to redemption and the relative amounts applied for that purpose from the Drinking Water SRF and Clean Water SRF do not correspond to the ratio between the Clean Water Portion and Drinking Water Portion of the principal and interest on the redeemed Bonds, the Executive Director shall make adjustments to the Clean Water Portion and Drinking Water Portion of the Bonds left outstanding in a manner which approximately compensates for any disproportionate application of funds from the Clean Water SRF and Drinking Water SRF to the redemption.

The Leveraged Portion and the State Match Portion, respectively, of each of the Drinking Water Portion and Clean Water Portion of principal and interest payments on the Bonds of any Series, except Refunding Bonds, shall be either (i) all principal and interest payments on particular Bonds within the Series designated by the Allocation Order as being Leveraged Portion Bonds or State Match Portion Bonds, each respectively in a principal amount equal to the principal amount of all Drinking Water Bonds or Clean Water Bonds, as the case may be, of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Bonds allocated to the Leveraged Loan Account (when determining the amount of the Leveraged Portion Bonds) or (B) the amount of proceeds allocated to the State Match Loan Account (when determining the amount of the State Match Portion Bonds), and the denominator of which is the total amount of proceeds of the Bonds of such Series allocated to such Loan Fund, or (ii) that portion of the Drinking Water Portion or Clean Water Portion, as the case may be, of all principal and interest payments on such portion of the Bonds of such Series which equals the ratio between the amount of proceeds of such Series of Bonds allocated to the Leveraged Loan Account or the State Match Loan Account of such Fund, respectively as the case may be, and the total amount of proceeds of such Bonds allocated to such Loan Fund or (iii) separate portions of the principal and interest due on the Drinking Water Portion or Clean Water Portion, as the case may be, on each interest payment date, as specified in the schedule identified in an Allocation Order, aggregating for the Series the portion of total principal and interest on the Bonds of such Series equal to the ratio between (A) the amount of proceeds allocated to the Leveraged Loan Account

or State Match Loan Account, as the case may be, and (B) the total amount of proceeds allocated to the Leveraged Loan Account and the State Match Loan Account. The Leveraged Portion and State Match Portion, respectively, of principal and interest payments on the Drinking Water Portion and the Clean Water Portion, as the case may be, of any Series of Refunding Bonds shall be either (i) all principal and interest payments on particular Bonds within the Series designated by the Allocation Order as being Leveraged Portion Bonds or State Match Portion Bonds, each respectively in a principal amount equal to the principal amount of all Drinking Water Bonds or Clean Water Bonds, as the case may be, of the Series multiplied by a fraction, the numerator of which is (A) the amount of proceeds of the Refunding Bonds necessary to pay or defease the Leveraged Portion of such Bonds to be paid or defeased (when determining the amount of the Leveraged Portion Bonds) or (B) the amount of proceeds of the Refunding Bonds necessary to pay or defease the State Match Portion of such Bonds to be paid or defeased (when determining the amount of the State Match Portion Bonds) and the denominator of which is the total amount of the proceeds of the Refunding Bonds to be used to pay or defease such Drinking Water Portion or Clean Water Portion of such Outstanding Bonds, or (ii) that portion of the Drinking Water Portion or Clean Water Portion, as the case may be, of all principal and interest payments on the Refunding Bonds which equals the ratio between the proceeds of such portion of the Refunding Bonds to be used to pay or defease the Leveraged Portion or State Match Portion of such portion of the Bonds to be paid or defeased, respectively as the case may be, and the total amount of proceeds of such portion of the Refunding Bonds to be used to pay or defease such Drinking Water Portion or Clean Water Portion of such Outstanding Bonds. For each of the Drinking Water Portion and Clean Water Portion of each Series of Bonds, the total of the Leveraged Portion and State Match Portion shall equal 100% of such Drinking Water Portion and Clean Water Portion of the principal and interest on such Series of Bonds, as the case may be.

Loans

Each Loan shall be made in accordance with the terms of a Loan Agreement and the applicable Administrative Agreement and shall be evidenced by Municipal Securities of the Borrower which is the recipient of the Loan. The interest rate and repayment terms of the Loans and related Municipal Securities shall be determined by the Authority and Department in accordance with the applicable Administrative Agreement and applicable rules of the Department. The proceeds of each Loan from the Drinking Water Loan Fund must be expended for eligible costs under the Drinking Water Act and applicable agreements between the Department and the Environmental Protection Agency. The proceeds of each Loan from the Clean Water Loan Fund must be expended for eligible costs under the Clean Water Act and applicable agreements between the Department and the Environmental Protection Agency. All Loans made from a State Match Loan Account or a Leveraged Loan Account shall be determined by the Executive Director to have met the Credit Standard then in effect, unless the Industrial Commission waives or amends the Credit Standard. Prior to making any loans from a Federally Capitalized Loan Account the Executive Director shall have determined that the loan will either (i) increase Projected Revenues available to be deposited in both the State Match Bond Account and Leveraged Bond Account, or (ii) unless clause (iii) applies, not cause either Projected Drinking Water Revenues for each year the Bonds will be outstanding to be reduced below 120% of the Drinking Water Portions of principal and interest due on such Bonds in each year or Projected Clean Water Revenues for each year the Bonds will be outstanding to be reduced below 120% of the Clean Water Portions of principal and interest due on such Bonds in each year, or (iii) from and after approval of clause (1) under "Purposes for Which Supplemental Indentures May Be Entered Into" below and in lieu of clause (ii) hereof, not cause Projected Revenues for each year the Bonds are outstanding to be reduced below 120% of principal and interest due on such Bonds in each year.

Establishment of Drinking Water Funds and Accounts

There are established the following Funds and Accounts:

- (a) Drinking Water Loan Fund, which includes a Federally Capitalized Loan Account, a Leveraged Loan Account and a State Match Loan Account;
- (b) Drinking Water Administration Fund, which includes an SRF Administration Account, a State Administration Account, a Technical Assistance Account and a Source Water Assessment Account;

(c) Drinking Water Revenue Fund, which includes an Unrestricted Revenue Account together with an Unrestricted Cumulative Excess Subaccount therein and a Restricted Revenue Account together with a Restricted Cumulative Excess Subaccount therein;

(d) Drinking Water Bond Fund, which includes a State Match Bond Account and a Leveraged Bond Account; and

(e) Drinking Water Reserve Fund, which includes a Restricted Reserve Account, an Unrestricted Reserve Account and a Special Reserve Account.

In addition to the foregoing Funds, the Authority may establish by supplement or by Series Resolution a Drinking Water Series Reserve Fund to provide a debt service reserve for the Drinking Water Portion of one or more series of Bonds. Any such Series Reserve Fund shall be funded in a manner similar to Covered Bonds and shall benefit Covered Bonds in the manner similar to Covered Bonds benefitted by the Drinking Water Reserve Fund, and Accounts shall be established within the Series Reserve Fund to give effect thereto.

Drinking Water Loan Fund

The Drinking Water Loan Fund consists of a State Match Loan Account, a Leveraged Loan Account and a Federally Capitalized Loan Account. The Trustee shall deposit in the State Match Loan Account (a) that portion, if any, of the net proceeds of each Series of Bonds which is specified in the related Series Resolution or Allocation Order as providing the State Match requirement under the Drinking Water Act and (b) any other funds directed by the Authority or required under the Master Trust Indenture to be deposited in such Account. The Trustee shall deposit in the Leveraged Loan Account that portion, if any, of the net proceeds of each Series of Bonds which is specified in the related Series Resolution or Allocation Order as being other than for the State Match requirement under the Drinking Water Act. Any deposits of Bond proceeds in the Leveraged Loan Account which are to reimburse expenditures from the Federally Capitalized Loan Account or other Account may then be transferred to such Account as specified in the Allocation Order. The Trustee shall deposit in the Federally Capitalized Loan Account (a) the amounts in the Restricted Revenue Account of the Revenue Fund directed to be transferred thereto, (b) any amounts directed by the Authority to be transferred thereto from the Restricted Reserve Account in the Drinking Water Reserve Fund which are not required to be maintained therein in order to meet the Total Reserve Requirement, (c) any amounts received from a draw under the Drinking Water Letter of Credit which the Authority directs to be deposited therein and which are not required to be deposited in the Drinking Water Reserve Fund, and (d) any other amounts in any Drinking Water Fund or Account which the Authority directs to be deposited therein to the extent authorized under the Master Trust Indenture.

Each Loan to a Borrower shall be funded from the State Match Loan Account, the Leveraged Loan Account and the Federally Capitalized Loan Account of the Drinking Water Loan Fund in such proportions as shall be designated by a Series Resolution or an Authority Request.

Amounts on deposit in the Drinking Water Loan Fund shall be used to make Loans to Borrowers; provided that, (i) amounts on deposit in the State Match Loan Account may, at the direction of the Authority, be transferred to the SRF Administration Account of the Drinking Water Administration Fund for the purpose of providing the State Match component thereof and (ii) investment income on any amounts in the Drinking Water Loan Fund may be transferred at the direction of the Authority to the Drinking Water Revenue Fund.

Amounts on deposit in the Federally Capitalized Loan Account of the Drinking Water Loan Fund, if not required to be disbursed to a Borrower pursuant to a Loan Agreement, (i) shall be transferred to the Restricted Reserve Account of the Drinking Water Reserve Fund to the extent necessary to restore any deficiency therein, and (ii) may be transferred at the direction of the Authority to the Drinking Water Revenue Fund provided that any amounts so transferred other than investment income may only be transferred to the Restricted Revenue Account of the Drinking Water Revenue Fund.

All amounts on deposit in the Drinking Water Loan Fund shall constitute part of the Trust Estate and may be used only to pay the Drinking Water Portion of principal and interest on Bonds and to purchase Municipal Securities pursuant to Loan Agreements; provided that amounts in the Leveraged Loan Account and Federally Capitalized Loan Account other than investment income shall be used only for the payment of the Leveraged Portion of the Drinking Water Portion of principal and interest on Bonds and shall not be used for the payment of the State Match Portion of principal and interest on any Bonds. No amounts in the Drinking Water Loan Fund which are required to be disbursed to a Borrower under a Loan Agreement may be used to pay principal or interest on Bonds.

Drinking Water Administration Fund

The Drinking Water Administration Fund shall consist of an SRF Administration Account, a State Administration Account, a Technical Assistance Account and a Source Water Assessment Account.

The Trustee shall deposit in the State Administration Account any fees paid by a Borrower which are required to be deposited therein under the terms of any Loan Agreement, and that portion of the proceeds of a Series of Bonds which the Executive Director certifies are necessary to pay the Costs of Issuance of the Drinking Water Portion of that Series of Bonds and any additional allowable fund which the Authority may direct to be deposited therein. The Trustee shall deposit in the SRF Administration Account that portion of each draw on the Letter of Credit and that portion of any amounts deposited in the State Match Loan Account which have been designated by the Authority for payment of administrative costs of the Drinking Water Program which are permitted to be applied for that purpose under the Drinking Water Act.

Amounts on deposit from time to time in the Drinking Water Administration Fund shall be disbursed by the Trustee for the payment or reimbursement of administrative costs of the Drinking Water Program at the direction of the Authority. Amounts on deposit in the State Administration Account may also be used to pay Costs of Issuance. No amounts in the SRF Administration Account shall be used to pay principal or interest on the State Match Portion of any Bonds. The Authority shall not permit any amounts deposited in the SRF Administration Account to be applied to any use other than allowable Drinking Water SRF administrative costs under the Drinking Water Act.

Drinking Water Revenue Fund

The Drinking Water Revenue Fund consists of a Restricted Revenue Account and an Unrestricted Revenue Account. The Restricted Revenue Account includes the Restricted Cumulative Excess Subaccount and any reference to the Restricted Revenue Account shall be deemed to include the Restricted Cumulative Excess Subaccount. The Unrestricted Revenue Account includes the Unrestricted Cumulative Excess Subaccount and any reference to the Unrestricted Revenue Account shall be deemed to include the Unrestricted Cumulative Excess Subaccount.

Upon receipt of a payment of principal or interest on a Drinking Water Municipal Security, the Trustee shall deposit such principal and interest in the Drinking Water Revenue Fund as follows:

- (i) into the Restricted Revenue Account, each principal payment on each Drinking Water Municipal Security;
- (ii) into the Unrestricted Revenue Account, each interest payment on each Drinking Water Municipal Security.

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

The Trustee shall also deposit in the Unrestricted Revenue Account of the Drinking Water Revenue Fund, either (i) at the direction of the Authority or (ii) without direction if necessary to pay

principal and interest due or to become due on the Bonds or to provide for principal payable in the following six months, any investment income earned on amounts on deposit in the various Drinking Water Funds and Accounts established under the Master Trust Indenture which are not required to be maintained therein or otherwise transferred pursuant to the terms of the Master Trust Indenture.

The Trustee shall also deposit in the Restricted Revenue Account of the Drinking Water Revenue Fund, either (i) at the direction of the Authority or (ii) without direction if necessary to pay principal and interest due or to become due on the Bonds or to provide for principal payable in the following six months, any amounts other than investment income on deposit in the Federally Capitalized Loan Account of the Loan Fund which are not required to be maintained therein or otherwise transferred pursuant to the terms of the Master Trust Indenture.

On or prior to each Bond Payment Date the Trustee shall make transfers from the Restricted Revenue Account in the following order:

- (a) The amount needed to pay the Leveraged Portion of the Drinking Water Portion of principal and interest on the Bonds shall be transferred to the Leveraged Bond Account of the Drinking Water Bond Fund;
- (b) The amount necessary to satisfy any deficiency in the Drinking Water Total Reserve Requirement shall be transferred to the Restricted Reserve Account;
- (c) An amount equal to one-half the amount of the Drinking Water Portion of principal payable in the six-month period following the Bond Payment Date, if any, shall be retained in the Restricted Revenue Account;
- (d) The amount required by the Master Trust Indenture to be transferred to the Restricted Revenue Account of the Clean Water Revenue Fund shall be transferred to such account;
- (e) The amount of any Clean Water Reimbursement Obligation shall be transferred to a Clean Water Fund or Account to the extent such Clean Water Reimbursement Obligation cannot be satisfied by the transfer to be made under clause (y) below; and
- (f) The balance, if any, shall be credited to and retained in the Restricted Cumulative Excess Subaccount of the Restricted Revenue Account until it is applied for the purposes described above or deposited in either the Restricted Reserve Account of the Drinking Water Reserve Fund or the Federally Capitalized Loan Account of the Drinking Water Loan Fund as the Authority may direct.

On or prior to each Bond Payment Date the Trustee shall make transfers from the Unrestricted Revenue Account in the following order:

- (t) The amount needed to pay the State Match Portion of the Drinking Water Portion of principal and interest on the Bonds shall be transferred to the State Match Bond Account of the Drinking Water Bond Fund;
- (u) The amount, if any, which is needed to pay the remainder of the Leveraged Portion of the Drinking Water Portion of principal and interest on the Bonds which was not provided by the transfer under clause (a) above or by a transfer for application to payment of principal and interest on Covered Bonds from amounts in the Restricted Reserve Account of the Drinking Water Reserve Fund shall be transferred to the Leveraged Bond Account of the Drinking Water Bond Fund;
- (v) The amount, if any, needed to increase the amount on deposit in the Drinking Water Reserve Fund to satisfy the Drinking Water Total Reserve Requirement or the Drinking

Water State Match Reserve Requirement shall be transferred to the Unrestricted Reserve Account of the Drinking Water Reserve Fund;

(w) An amount equal to one-half the amount of the Drinking Water Portion of any principal payable in the six-month period following the Bond Payment Date shall be retained in the Unrestricted Revenue Account;

(x) The amount required to be transferred to the Unrestricted Revenue Account of the Clean Water Revenue Fund shall be transferred to such account;

(y) The amount of any Clean Water Reimbursement Obligation shall be transferred to the Clean Water Fund or Account; and

(z) The balance, if any, shall be credited to and retained in the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account unless and until it is applied for any purpose described above or transferred at the direction of the Authority to any other Drinking Water Fund or Account established under the Master Trust Indenture other than the State Administration Account of the Drinking Water Administration Fund and the Special Reserve Account of the Drinking Water Reserve Fund.

Drinking Water Bond Fund

On or prior to each Bond Payment Date, the Trustee shall withdraw from the Restricted Revenue Account and the Unrestricted Revenue Account of the Drinking Water Revenue Fund, amounts sufficient to pay the Leveraged Portion and the State Match Portion of the Drinking Water Portion of principal and interest on the Bonds due on such Bond Payment Date, including the redemption price of Bonds which have been called for prior redemption. Accordingly, there shall be transferred to the State Match Bond Account of the Drinking Water Bond Fund from the Unrestricted Revenue Account of the Drinking Water Revenue Fund amounts sufficient to pay the State Match Portion of the Drinking Water Portion of principal and interest on the Bonds due on such Bond Payment Date and there shall be transferred to the Leveraged Bond Account of the Drinking Water Bond Fund from the Restricted Revenue Account of the Drinking Water Revenue Fund amounts sufficient to pay the Leveraged Portion of the principal and interest on the Bonds due on such Bond Payment Date. In the event of a deficiency in the amount available to be transferred from the Restricted Revenue Account of the Drinking Water Revenue Fund to the Leveraged Account of the Drinking Water Bond Fund, the Trustee shall transfer funds to the Leveraged Bond Account to make up such deficiency from the following sources in the following order:

(a) first, from the Restricted Reserve Account of the Drinking Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to payment of principal of and interest on Covered Bonds;

(b) second, from the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account of the Drinking Water Revenue Fund;

(c) third, from the Unrestricted Reserve Account of the Drinking Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to payment of principal of and interest on Covered Bonds;

(d) fourth, from any Excess Clean Water Revenues; and

(e) fifth, from any other available Drinking Water Fund or Account established under the Master Trust Indenture.

In the event of a deficiency in the amount available to be transferred from the Unrestricted Revenue Account of the Drinking Water Revenue Fund to the State Match Bond Account of the Drinking Water Bond Fund, the Trustee shall transfer funds to the State Match Bond Account to make up such deficiency from the following sources in the following order:

(v) first, from the Special Reserve Account of the Drinking Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to payment of principal of and interest on Covered Bonds;

(w) second, from the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account of the Drinking Water Revenue Fund;

(x) third, from the Unrestricted Reserve Account of the Drinking Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to Covered Bonds;

(y) fourth, from any Excess Unrestricted Clean Water Revenues;

(z) fifth, from the State Administration Account of the Drinking Water Administration Fund.

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

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

Drinking Water Reserve Fund

The Drinking Water Reserve Fund consists of a Restricted Reserve Account, an Unrestricted Reserve Account and a Special Reserve Account. Subject to the limitations on application of the Restricted Reserve Account and the Special Reserve Account, funds on deposit in the Drinking Water Reserve Fund shall be used to make up any deficiencies in the Drinking Water Bond Fund relating to Covered Bonds and the Trustee shall transfer to the Drinking Water Bond Fund or apply to the payment of the Drinking Water Portion of principal and interest on Covered Bonds, from amounts on deposit in the Drinking Water Reserve Fund, such amounts as may be necessary to pay principal and interest on the Covered Bonds when due.

No Bonds shall be issued under the Master Trust Indenture unless, after giving effect to any deposits to be made from the proceeds thereof into the Restricted Reserve Account and the Special Reserve Account of the Drinking Water Reserve Fund, both (a) the sum of the amounts on deposit in the Special Reserve Account and the Unrestricted Reserve Account equals at least the Drinking Water State Match Reserve Requirement for all Covered Bonds then outstanding and the Covered Bonds to be issued hereunder and (b) the sum of the amounts on deposit in the Restricted Reserve Account, the Unrestricted Reserve Account and the Special Reserve Account equals at least the Drinking Water Total Reserve Requirement for all Covered Bonds then outstanding and any Covered Bonds to be issued .

Investment of Drinking Water Moneys Held by the Trustee; Interfund Loans

Moneys in all Drinking Water Funds and Accounts held by the Trustee shall be invested to the fullest extent possible in Investment Obligations, in accordance with directions given to the Trustee by the Executive Director.

Pursuant to an Authority Request and to the extent permitted by the Drinking Water Act, amounts on deposit in any Drinking Water Fund or Account and not then required for expenditure may be loaned on

a temporary basis to any Clean Water Fund or Account, on the condition that it be returned to such Fund or Account with interest prior to the date the funds are needed by the transferring Fund or Account.

Drinking Water State Revolving Fund

All Drinking Water Funds, Accounts and subaccounts, except the State Administration Account, Technical Assistance Account and Source Water Assessment Account of the Drinking Water Administration Fund and the Special Reserve Account of the Drinking Water Reserve Fund, are a part of the Drinking Water State Revolving Fund for purposes of the Drinking Water Act and the DWSRF Act and shall be used and expended in a manner consistent with the Master Trust Indenture, the Act, the DWSRF Act, the Drinking Water Act and all lawfully promulgated regulations thereunder. All funds, accounts and subaccounts created herein which are not a part of the Drinking Water State Revolving Fund for purposes of the Drinking Water Act shall be used and expended in a manner consistent with the Master Trust Indenture and the Act and all lawfully promulgated regulations thereunder.

Transfers to Clean Water SRF

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

- (a) First, from any funds on deposit in the Restricted Cumulative Excess Subaccount of the Drinking Water Revenue Fund to the extent necessary, with other funds available, to pay the Leveraged Portion of the Drinking Water portion of principal and interest on Bonds then due;
- (b) Second, from the Unrestricted Cumulative Excess Subaccount of the Drinking Water Revenue Fund to the extent necessary, with other funds available, to pay the State Match Portion of the Drinking Water Portion of principal and interest on Bonds then due;
- (c) Third, from Excess Drinking Water Unrestricted Revenues.

Reimbursement Obligation to Clean Water SRF

In the event funds are at any time transferred to the Drinking Water Bond Fund from the Clean Water SRF, the Authority shall have an obligation, subordinate to the payment of the Clean Water Portion of the principal and interest on the Bonds, to reimburse to the Clean Water SRF the amount so advanced either without interest or at such rate of interest as the Authority may determine. Such reimbursement shall be made only with funds on deposit in the Restricted Cumulative Excess Subaccount and Unrestricted Cumulative Excess Subaccount of the Drinking Water Revenue Fund and other Excess Drinking Water Unrestricted Revenues.

Other Drinking Water Transfers

In addition to the foregoing transfers, transfers to and from the Drinking Water SRF may be made with capitalization grant funds to the extent permitted by the Drinking Water Act. To the extent capitalization grant funds are transferred to the Clean Water SRF the Authority may transfer from the State Match Loan Account of the Drinking Water Loan Fund to the State Match Loan Account of the Clean Water Loan Fund an amount which equals the amount previously deposited in the State Match Loan Account of the Drinking Water Loan Fund in order to draw on the capitalization grant funds which were transferred to the Clean Water Fund.

In addition, any balances retained in the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account and Restricted Cumulative Excess Subaccount of the Restricted Revenue Account of the Drinking Water Revenue Fund, after making any required transfers, may at the direction of the Authority be transferred to any Fund or Account under the Clean Water SRF; provided that (i) after

giving effect to the transfer the coverage requirements are met for all outstanding Bonds, and (ii) the transfer is within the limits and made in accordance with the procedures required by the Drinking Water Act or otherwise authorized by the Environmental Protection Agency.

Establishment of Clean Water Funds and Accounts

There are established the following Funds and Accounts:

- (a) Clean Water Loan Fund, which includes a Federally Capitalized Loan Account, a Leveraged Loan Account and a State Match Loan Account;
- (b) Clean Water Administration Fund, which includes an SRF Administration Account and a State Administration Account;
- (c) Clean Water Revenue Fund, which includes an Unrestricted Revenue Account together with an Unrestricted Cumulative Excess Subaccount therein and a Restricted Revenue Account together with a Restricted Cumulative Excess Subaccount therein;
- (d) Clean Water Bond Fund, which includes a State Match Bond Account and a Leveraged Bond Account; and
- (e) Clean Water Reserve Fund, which includes a Restricted Reserve Account, an Unrestricted Reserve Account and a Special Reserve Account.

In addition to the foregoing Funds, the Authority may establish by supplement or by Series Resolution a Clean Water Series Reserve Fund to provide a debt service reserve for the Clean Water portion of one or more series of Bonds. Any such Series Reserve Fund may be funded in a manner similar to Covered Bonds and shall benefit Covered Bonds in a manner similar to Covered Bonds benefitted by the Clean Water Reserve Fund, and Accounts shall be established within the Series Reserve Fund to give effect thereto.

Clean Water Loan Fund

The Clean Water Loan Fund consists of a State Match Loan Account, a Leveraged Loan Account and a Federally Capitalized Loan Account. The Trustee shall deposit in the State Match Loan Account (a) that portion, if any, of the net proceeds of each Series of Bonds which is specified in the related Series Resolution or Allocation Order as providing the State Match requirement under the Clean Water Act and (b) any other funds directed by the Authority or required under the Master Trust Indenture to be deposited in such Account. The Trustee shall deposit in the Leveraged Loan Account that portion, if any, of the net proceeds of each Series of Bonds which is specified in the related Series Resolution or Allocation Order as being other than for the State Match requirement under the Clean Water Act. Any deposits of Bond proceeds in the Leveraged Loan Account which are to reimburse expenditures from the Federally Capitalized Loan Account or other Account may then be transferred to such Account as specified in the Allocation Order. The Trustee shall deposit in the Federally Capitalized Loan Account (a) the amounts in the Restricted Revenue Account of the Revenue Fund directed to be transferred thereto, (b) any amounts directed by the Authority to be transferred thereto from the Restricted Reserve Account in the Clean Water Reserve Fund which are not required to be maintained therein in order to meet the Total Reserve Requirement, (c) any amounts received from a draw under the Clean Water Letter of Credit which the Authority directs to be deposited therein and which are not required to be deposited in the Clean Water Reserve Fund, and (d) any other amounts in any Clean Water Fund or Account which the Authority directs to be deposited therein to the extent authorized under the Master Trust Indenture.

Each Loan to a Borrower shall be funded from the State Match Loan Account, the Leveraged Loan Account and the Federally Capitalized Loan Account of the Clean Water Loan Fund in such proportions as shall be designated by a Series Resolution, or in an Authority Request.

Amounts on deposit in the Clean Water Loan Fund shall be used to make Loans to Borrowers; provided that, (i) amounts on deposit in the State Match Loan Account may, at the direction of the

Authority, be transferred to the SRF Administration Account of the Clean Water Administration Fund for the purpose of providing the State Match component thereof and (ii) investment income on any amounts in the Clean Water Loan Fund may be transferred at the direction of the Authority to the Clean Water Revenue Fund.

Amounts on deposit in the Federally Capitalized Loan Account of the Clean Water Loan Fund, if not required to be disbursed to a Borrower pursuant to a Loan Agreement, (i) be transferred to the Restricted Reserve Account of the Clean Water Reserve Fund to the extent necessary to restore any deficiency therein, and (ii) may be transferred at the direction of the Authority to the Clean Water Revenue Fund provided that any amounts so transferred other than investment income may only be transferred to the Restricted Revenue Account of the Clean Water Revenue Fund.

All amounts on deposit in the Clean Water Loan Fund shall constitute part of the Trust Estate and may be used only to pay the Clean Water Portion of principal and interest on Bonds and to purchase Municipal Securities pursuant to Loan Agreements; provided that amounts in the Leveraged Loan Account and Federally Capitalized Loan Account other than investment income shall be used only for the payment of the Leveraged Portion of the Clean Water Portion of principal and interest on Bonds and shall not be used for the payment of the State Match Portion of principal and interest on any Bonds. No amounts in the Clean Water Loan Fund which are required to be disbursed to a Borrower under a Loan Agreement may be used to pay principal or interest on Bonds.

Clean Water Administration Fund

The Clean Water Administration Fund consists of an SRF Administration Account and a State Administration Account.

The Trustee shall deposit in the State Administration Account any fees paid by a Borrower which are required to be deposited therein under the terms of any Loan Agreement, that portion of the proceeds of a Series of Bonds which the Executive Director certifies are necessary to pay the Costs of Issuance of the Clean Water Portion of that Series of Bonds and any additional allowable funds which the Authority may direct to be deposited therein. The Trustee shall deposit in the SRF Administration Account that portion of each draw on the Letter of Credit and that portion of any amounts deposited in the State Match Loan Account which have been designated by the Authority for payment of administrative costs of the Clean Water Program which are permitted to be applied for that purpose under the Clean Water Act.

Amounts on deposit from time to time in the Clean Water Administration Fund shall be disbursed by the Trustee for the payment or reimbursement of administrative costs of the Clean Water Program at the direction of the Authority. Amounts on deposit in the State Administration Account may also be used to pay Costs of Issuance. No amounts in the SRF Administration Account shall be used to pay principal or interest on the State Match Portion of any Bonds. The Authority shall not permit any amounts deposited in the SRF Administration Account to be applied to any use other than allowable Clean Water SRF administrative costs under the Clean Water Act.

Clean Water Revenue Fund

The Clean Water Revenue Fund consists of a Restricted Revenue Account and an Unrestricted Revenue Account. The Restricted Revenue Account includes the Restricted Cumulative Excess Subaccount and any reference to the Restricted Revenue Account shall be deemed to include the Restricted Cumulative Excess Subaccount. The Unrestricted Revenue Account includes the Unrestricted Cumulative Excess Subaccount and any reference to the Unrestricted Revenue Account shall be deemed to include the Unrestricted Cumulative Excess Subaccount.

Upon receipt of a payment of principal or interest on a Clean Water Municipal Security, the Trustee shall deposit such principal and interest in the Clean Water Revenue Fund as follows:

- (i) into the Restricted Revenue Account, each principal payment on each Clean Water Municipal Security;

(ii) into the Unrestricted Revenue Account, each interest payment on each Clean Water Municipal Security.

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

The Trustee shall also deposit in the Unrestricted Revenue Account of the Clean Water Revenue Fund, either (i) at the direction of the Authority or (ii) without direction if necessary to pay principal and interest due or to become due on the Bonds or to provide for principal payable in the following six months, any investment income earned on amounts on deposit in the various Clean Water Funds and Accounts established under the Master Trust Indenture which are not required to be maintained therein or otherwise transferred pursuant to the terms of the Master Trust Indenture.

The Trustee shall also deposit in the Restricted Revenue Account of the Clean Water Revenue Fund, either (i) at the direction of the Authority or (ii) without direction if necessary to pay principal and interest due or to become due on the Bonds or to provide for principal payable in the following six months, any amounts other than investment income on deposit in the Federally Capitalized Loan Account of the Loan Fund which are not required to be maintained therein or otherwise transferred pursuant to the terms of the Master Trust Indenture.

On or prior to each Bond Payment Date the Trustee shall make transfers from the Restricted Revenue Account in the following order:

(a) The amount needed to pay the Leveraged Portion of the Clean Water Portion of principal and interest on the Bonds shall be transferred to the Leveraged Bond Account of the Clean Water Bond Fund;

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

(c) An amount equal to one-half the amount of the Clean Water Portion of principal payable in the six-month period following the Bond Payment Date, if any, shall be retained in the Restricted Revenue Account;

(d) The amount required by the Master Trust Indenture to be transferred to the Restricted Revenue Account of the Drinking Water Revenue Fund shall be transferred to such account;

(e) The amount of any Drinking Water Reimbursement Obligation shall be transferred to a Drinking Water Fund or Account to the extent such Drinking Water Reimbursement Obligation cannot be satisfied by the transfer to be made under clause (y) below; and

(f) The balance, if any, shall be credited to and retained in the Restricted Cumulative Excess Subaccount of the Restricted Revenue Account until it is applied for the purposes described above or deposited in either the Restricted Reserve Account of the Clean Water Reserve Fund or the Federally Capitalized Loan Account of the Clean Water Loan Fund as the Authority may direct.

On or prior to each Bond Payment Date the Trustee shall make transfers from the Unrestricted Revenue Account in the following order:

(t) The amount needed to pay the State Match Portion of the Clean Water Portion of principal and interest on the Bonds shall be transferred to the State Match Bond Account of the Clean Water Bond Fund;

(u) The amount, if any, which is needed to pay the remainder of the Leveraged Portion of the Clean Water Portion of principal and interest on the Bonds which was not provided by the transfer under clause (a) above or by a transfer for application to payment of principal and interest on Covered Bonds from amounts in the Restricted Reserve Account of the Clean Water Reserve Fund shall be transferred to the Leveraged Bond Account of the Clean Water Bond Fund;

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

(w) An amount equal to one-half the amount of the Clean Water Portion of any principal payable in the six-month period following the Bond Payment Date shall be retained in the Unrestricted Revenue Account;

(x) The amount required to be transferred to the Unrestricted Revenue Account of the Drinking Water Revenue Fund shall be transferred to such account;

(y) The amount of any Drinking Water Reimbursement Obligation shall be transferred to the Drinking Water Fund or Account; and

(z) The balance, if any, shall be credited to and retained in the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account unless and until it is applied for any purpose described above or transferred at the direction of the Authority to any other Clean Water Fund or Account established under the Master Trust Indenture other than the State Administration Account of the Clean Water Administration Fund and the Special Reserve Account of the Clean Water Reserve Fund.

Clean Water Bond Fund

On or prior to each Bond Payment Date, the Trustee shall withdraw from the Restricted Revenue Account and the Unrestricted Revenue Account of the Clean Water Revenue Fund, amounts sufficient to pay the Leveraged Portion and the State Match Portion of the Clean Water Portion of principal and interest on the Bonds due on such Bond Payment Date, including the redemption price of Bonds which have been called for prior redemption. Accordingly, there shall be transferred to the State Match Bond Account of the Clean Water Bond Fund from the Unrestricted Revenue Account of the Clean Water Revenue Fund amounts sufficient to pay the State Match Portion of the Clean Water Portion of principal and interest on the Bonds due on such Bond Payment Date and there shall be transferred to the Leveraged Bond Account of the Clean Water Bond Fund from the Restricted Revenue Account of the Clean Water Revenue Fund amounts sufficient to pay the Leveraged Portion of the principal and interest on the Bonds due on such Bond Payment Date. In the event of a deficiency in the amount available to be transferred from the Restricted Revenue Account of the Clean Water Revenue Fund to the Leveraged Account of the Clean Water Bond Fund, the Trustee shall transfer funds to the Leveraged Bond Account to make up such deficiency from the following sources in the following order:

(a) first, from the Restricted Reserve Account of the Clean Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to payment of principal of and interest on Covered Bonds;

(b) second, from the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account of the Clean Water Revenue Fund;

(c) third, from the Unrestricted Reserve Account of the Clean Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to payment of principal of and interest on Covered Bonds;

(d) fourth, from any Excess Drinking Water Revenues; and

(e) fifth, from any other available Clean Water Fund or Account established under the Master Trust Indenture.

In the event of a deficiency in the amount available to be transferred from the Unrestricted Revenue Account of the Clean Water Revenue Fund to the State Match Bond Account of the Clean Water Bond Fund, the Trustee shall transfer funds to the State Match Bond Account to make up such deficiency from the following sources in the following order:

(v) first, from the Special Reserve Account of the Clean Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to payment of principal of and interest on Covered Bonds;

(w) second, from the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account of the Clean Water Revenue Fund;

(x) third, from the Unrestricted Reserve Account of the Clean Water Reserve Fund to the extent of the deficiency allocable to Covered Bonds and for application only to payment of principal of and interest on Covered Bonds;

(y) fourth, from any Excess Unrestricted Drinking Water Revenues;

(z) fifth, from the State Administration Account of the Clean Water Administration Fund.

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

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

Clean Water Reserve Fund

The Clean Water Reserve Fund consists of a Restricted Reserve Account, an Unrestricted Reserve Account and a Special Reserve Account. Subject to the limitations on application of the Restricted Reserve Account and the Special Reserve Account, funds on deposit in the Clean Water Reserve Fund shall be used to make up any deficiencies in the Clean Water Bond Fund and the Trustee shall transfer to the Clean Water Bond Fund allocable to Covered Bonds or apply to the payment of the Clean Water Portion of principal and interest on Covered Bonds, from amounts on deposit in the Clean Water Reserve Fund, such amounts as may be necessary to pay principal and interest on the Covered Bonds when due.

No Bonds shall be issued under the Master Trust Indenture as Covered Bonds unless, after giving effect to any deposits to be made from the proceeds thereof into the Restricted Reserve Account and the Special Reserve Account of the Clean Water Reserve Fund, both (a) the sum of the amounts on deposit in the Special Reserve Account and the Unrestricted Reserve Account equals at least the Clean Water State Match Reserve Requirement for all Covered Bonds then outstanding and the Covered Bonds to be issued hereunder and (b) the sum of the amounts on deposit in the Restricted Reserve Account, the Unrestricted Reserve Account and the Special Reserve Account equals at least the Clean Water Total Reserve Requirement for all Covered Bonds then outstanding and any Covered Bonds to be issued.

Investment of Clean Water Moneys Held by the Trustee; Interfund Loans

Moneys in all Clean Water Funds and Accounts held by the Trustee shall be invested to the fullest extent possible in Investment Obligations, in accordance with directions given to the Trustee by the Executive Director.

Pursuant to an Authority Request and to the extent permitted by the Clean Water Act, amounts on deposit in any Clean Water Fund or Account and not then required for expenditure may be loaned on a temporary basis to any Drinking Water Fund or Account on the condition that it be returned to such Fund or Account with interest prior to the date the funds are needed by the transferring Fund or Account.

Clean Water State Revolving Fund

All Clean Water Funds, Accounts and subaccounts, except the State Administration Account of the Clean Water Administration Fund and the Special Reserve Account of the Clean Water Reserve Fund, are a part of the Clean Water State Revolving Fund for purposes of the Clean Water Act and the CWSRF Act and shall be used and expended in a manner consistent with the Master Trust Indenture, the Act, the CWSRF Act, the Clean Water Act and all lawfully promulgated regulations thereunder. All funds, accounts and subaccounts created herein which are not a part of the Clean Water State Revolving Fund for purposes of the Clean Water Act shall be used and expended in a manner consistent with the Master Trust Indenture and the Act and all lawfully promulgated regulations thereunder.

Transfers to Drinking Water SRF

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

- (a) First, from any funds on deposit in the Restricted Cumulative Excess Subaccount of the Clean Water Revenue Fund to the extent necessary, with other funds available, to pay the Leveraged Portion of Drinking Water Bonds then due;
- (b) Second, from the Unrestricted Cumulative Excess Subaccount of the Clean Water Revenue Fund to the extent necessary, with other funds available, to pay the State Match Portion of the Drinking Water Portion of Bonds then due;
- (c) Third, from Excess Clean Water Unrestricted Revenues.

Reimbursement Obligation to Drinking Water SRF

In the event funds are at any time transferred to the Clean Water Bond Fund from the Drinking Water SRF, the Authority shall have an obligation, subordinate to the payment of the Clean Water Portion of the principal and interest on the Bonds, to reimburse to the Drinking Water SRF the amount so advanced either without interest or at such rate of interest as the Authority may determine. Such reimbursement shall be made only with funds on deposit in the Restricted Cumulative Excess Subaccount and Unrestricted Cumulative Excess Subaccount and other Excess Clean Water Unrestricted Revenues.

Other Clean Water Transfers

In addition to the foregoing transfers, transfers to and from the Clean Water SRF may be made with capitalization grant funds to the extent permitted by the Drinking Water Act. To the extent capitalization grant funds are transferred to the Drinking Water SRF the Authority may transfer from the State Match Loan Account of the Clean Water Loan Fund to the State Match Loan Account of the Drinking Water Loan Fund an amount which equals the amount previously deposited in the State Match Loan Account of the Clean Water Loan Fund in order to draw on the capitalization grant funds which were transferred to the Drinking Water Fund.

In addition, any balances retained in the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account and Restricted Cumulative Excess Subaccount of the Restricted Revenue Account of the Clean Water Revenue Fund, after making any required transfers, may at the direction of the Authority be transferred to any Fund or Account under the Drinking Water SRF; provided that (i) after giving effect to the transfer the coverage requirements are met for all outstanding Bonds, and (ii) the transfer is within the limits and made in accordance with the procedures required by the Clean Water Act or otherwise authorized by the Environmental Protection Agency.

Events of Default

Each of the following events constitutes an “Event of Default”:

- (a) The Authority shall fail to pay any principal or the Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;
- (b) The Authority shall fail to pay any installment of interest on any Bond when and as the same shall become due and payable;
- (c) If either (i) the amounts on deposit in either Reserve Fund are at any time less than the Total Reserve Requirement for such Reserve Fund or (ii) the sum of the amounts on deposit in the Special Reserve Account and the Unrestricted Reserve Account of either Reserve Fund are at any time less than the State Match Reserve Requirement for such Reserve Fund and either of such deficiencies shall have existed for a period of six consecutive months during which the deficiency shall not have been replenished from any source;
- (d) The Authority shall fail to perform or observe any other covenant, agreement or condition on its part contained in the Master Trust Indenture or any Series Resolution or in the Bonds, and such failure shall continue for a period of thirty days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than 10% in the aggregate of the principal amount of the Bonds outstanding; or
- (e) The Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

Remedies and Enforcement of Remedies

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

- (i) Enforcement of the right of the Bondholders to require the Authority to collect and enforce the payment of principal of and interest due or becoming due on the Municipal Securities and to collect and enforce any rights in respect to the Municipal Securities as may be set forth in any resolutions therefor or the Loan Agreements and to require the Authority to carry out its duties, obligations and agreements under the terms of the Master Trust Indenture and any Series Resolution authorizing the issuance of Bonds of any Series then outstanding, and to require the Authority to perform its duties under the Act;
- (ii) Suit upon all or any part of the Bonds;
- (iii) Civil action to require the Authority to account as if it were the trustee of an express trust for the Holders of Bonds;

(iv) Civil action to enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of Bonds; and

(v) Enforcement of any other right of the Bondholders conferred by law or by the Master Trust Indenture.

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

Power of Majority of Bondholders

The Holders of a majority in aggregate principal amount of Bonds outstanding hereunder shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken under the Master Trust Indenture provided that such direction shall not be otherwise than in accordance with the provisions of law and that the Trustee shall be indemnified as provided in the Master Trust Indenture.

Limitation on Suits by Bondholders

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Trust Indenture or for the execution of any trust hereof or for any other remedy hereunder, unless a Default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such Default shall have become an Event of Default and the Holders of twenty-five percent (25%) in aggregate principal amount of Bonds outstanding hereunder shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers herein before granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided.

Waiver by Bondholders

The Trustee, upon the written request of the Holders of not less than a majority in principal amount of the Bonds at the time outstanding hereunder, shall waive any Default hereunder and its consequences, except a Default in the payment of the principal of the Bonds at the date of maturity specified therein.

Resignation or Removal of Trustee

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

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

Purposes for Which Supplemental Indentures May be Executed

The Authority and the Trustee from time to time and at any time, subject to the conditions and restrictions in the Master Trust Indenture contained, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable without the consent of any Bondholder for any one or more of the following purposes:

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

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

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

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

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

(f) To provide for the enforcement, modification, sale or other disposition of any Municipal Securities held or to be acquired by the Authority or any investments of moneys of the Authority which the Industrial Commission expressly finds is necessary or desirable in the best interests of the Holders of Bonds;

(g) To provide for the issuance of additional Bonds of the Authority by adoption of Series Resolutions;

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

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

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

(k) To amend the definitions of Excess Drinking Water Unrestricted Revenues and Excess Clean Water Unrestricted Revenues to include additional amounts on deposit in the Funds and Accounts under the Drinking Water SRF and Clean Water SRF, respectively, provided that such amendment is permitted under the Drinking Water Act and Clean Water Act and the Authority provides a Coverage Certificate, with supporting schedules, estimating that (i) if the amendment expands the definition of Excess Drinking Water Unrestricted Revenues, Projected Drinking Water Revenue available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Drinking Water Bond Fund will be at least 120% of the State Match Portion and Leveraged Portion of the Drinking Water Portions of principal and interest due in each year on the Bonds then outstanding, after excluding Excess Drinking Water Unrestricted Revenues from Projected Drinking Water Revenue and (ii) if the amendment expands the definition of Excess Clean Water Unrestricted Revenues, Projected Clean Water Revenue available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Clean Water Bond Fund will be at least 120% of the State Match Portion and Leveraged Portion of the Clean Water Portions of principal and interest due in each year on the Bonds then outstanding after excluding Excess Clean Water Unrestricted Revenues from Projected Clean Water Revenue;

(l) Subject to approval of this provision by and upon the approval by the Holders of sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of Bonds then outstanding and affected thereby and except for amendments for which the consent of all Holders would be required, to enter into one or more supplemental indentures that, when effective, would amend or modify any provisions of the Master Trust Indenture if, in the judgment of the Executive Director, the rating then in effect on any Outstanding Bonds from each Rating Agency immediately preceding the time such supplemental indenture becomes effective will be maintained or improved after such supplemental indenture becomes effective. For the purposes of this subsection, the Executive Director must certify its judgment to the Trustee, and such judgment will be based upon the written ratings report or other written evidence provided by each Rating Agency. In addition, each rating will be defined by reference only to the major letter category and any plus (+) or minus (-) designation or similar numerical designation (and without any further designation within a rating category whether now or hereafter used by a Rating Agency);

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

Modification of Indenture with Consent of Bondholders

Subject to the following, the Holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds then outstanding and affected thereby shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such indenture or indentures supplemental to the Master Trust Indenture as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in the Master Trust Indenture or in any supplemental indenture; PROVIDED, HOWEVER, that nothing herein contained shall permit or be construed as permitting, without the consent of the Holders of all outstanding Bonds affected thereby, (a) an extension of the maturity of any Bond or any installment of interest thereon, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to the lien or pledge created by the Master Trust Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required to consent to supplemental indentures or (f) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default. Whenever the Authority shall deliver to the Trustee a resolution of Bondholders adopted at a Bondholders' meeting approved by, or an instrument or instruments purporting to be executed by, the Holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds then outstanding, which resolution or instrument or instruments shall refer to the proposed supplemental indenture and shall specifically consent to and approve the execution thereof, thereupon, the Authority and the Trustee may

execute such supplemental indenture without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

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APPENDIX D

Form of Bond Counsel Opinion

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\$101,210,000
North Dakota Public Finance Authority
State Revolving Fund Program Bonds, Series 2011A

We have acted as bond counsel in connection with the issuance by the North Dakota Public Finance Authority of its State Revolving Fund Program Bonds, Series 2011A (the “Bonds”) in the aggregate principal amount of \$101,210,000, dated the date hereof.

The Bonds are being issued pursuant to an Amended and Restated Master Trust Indenture dated as of July 1, 2011, between the Authority and the Bank of North Dakota (the “Master Trust Indenture”) and a Series Resolution approved by the Industrial Commission of North Dakota on June 16, 2011 (the “Series Resolution”), to provide funds to purchase certain obligations (the “Municipal Securities”) of political subdivisions and certain other entities as described in the Series Resolution.

We have examined such certified proceedings, documents and certifications of public officials as we deem necessary to render this opinion, including the form of the Bonds. As to questions of fact material to our opinion we have relied upon certified proceedings, documents and certifications furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken as bond counsel to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are valid and binding obligations of the Authority issued under the authority of Chapter 6-09.4, North Dakota Century Code.
2. The Bonds, together with all obligations heretofore or hereafter issued on a parity therewith by the Authority under the Master Trust Indenture, are payable primarily from and secured by a first lien on and pledge of the Municipal Securities evidencing loans made under the Master Trust Indenture and revenues therefrom and the moneys on deposit in certain funds and accounts established under the Master Trust Indenture.

Minnesota Colorado Iowa London Frankfurt Shanghai

3. The Bonds do not create an indebtedness on the part of the State of North Dakota in violation of any constitutional or statutory provision.

4. Assuming compliance with the covenants in the Master Trust Indenture and Series Resolution, the interest on the Bonds is exempt from inclusion in gross income for purposes of federal income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of “alternative minimum taxable income” for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 1986, as amended (the “Code”), but is includable in “adjusted current earnings” for the purpose of determining the “alternative minimum taxable income” of corporations under Section 55 of the Code. In addition, interest on the Bonds may be included in the income of the recipient for certain purposes under the Code, including, among others, foreign corporations subject to the branch profits tax, S corporations and recipients of social security benefits. Also, the receipt of interest on the Bonds may affect certain deductions such as deductions for “losses incurred” by property and casualty insurance companies. The Bonds are not designated as “qualified tax-exempt obligations” under Section 265(b) of the Code and financial institutions may not deduct any portion of their interest expense which is allocable to interest on the Bonds. The Bonds are exempt from income taxation by the State of North Dakota.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of law.

Dated at Minneapolis, Minnesota, August 9, 2011.

APPENDIX E

Form of Continuing Disclosure

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STATE OF NORTH DAKOTA
NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATE REVOLVING FUND PROGRAM BONDS
SERIES 2011A

§ _____

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

This Undertaking to Provide Continuing Disclosure (the "Undertaking") is executed and delivered by the North Dakota Public Finance Authority (the "Issuer") in connection with the Issuer's § _____ State Revolving Fund Program Bonds, Series 2011A (the "Series 2011A Bonds"). The Bonds are being issued pursuant to an Amended and Restated Master Trust Indenture, dated as of July 1, 2011, as amended from time to time (the "Master Trust Indenture") and a Series Resolution authorized by the Industrial Commission of the State of North Dakota on June 16, 2011 (the "Bond Resolution"). The Issuer hereby covenants and agrees as follows:

1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds in order to assist the Participating Underwriters within the meaning of SEC Rule 15c2-12(b)(5) (the "Rule") in complying with the Rule. This Undertaking constitutes the written undertaking and agreement of the Issuer for the benefit of the Owners of the Bonds as required by the Rule.

2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means the annual financial information (as defined in the Rule), including audited financial statements, to be provided to the MSRB in an electronic format prescribed by the MSRB pursuant to paragraph 5(i)(A) and (B) of the Rule, as described in Section 3 and 4 of this Undertaking.

"EMMA" means the Electronic Municipal Market Access system established by the MSRB with the support of the SEC, or any successor system, which can be accessed on the date hereof at www.emma.msrb.org.

"Financial Statements" means audited or, if unavailable, unaudited general purpose financial statements of the Issuer, or, as applicable, an Obligated Person prepared in accordance with generally accepted accounting principles, as in effect from time to time or as required to be modified as a matter of law. If unaudited financial statements are provided, audited financial statements will be provided when and if available.

"Fiscal Year" means the then applicable fiscal year of the Issuer or an Obligated Person, as the case may be.

"Final Official Statement" means the deemed final official statement dated _____, 2011 which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

"Issuer" means the North Dakota Public Finance Authority.

"Material Event" means any of the events listed in paragraph 5(i)(C) and paragraph 5(i)(D) of the Rule, which are set forth in Section 5(a) and (d) of this Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board on the date hereof located at 1900 Duke Street, Suite 600, Alexandria, VA 22314.

"Obligated Person" means the Issuer and any Borrower (as defined in the Master Trust Indenture) which has entered into one or more Loan Agreements (as defined in the Master Trust Indenture) with the Bond Bank under the Master Trust Indenture, the aggregate outstanding principal balance of which equals or exceeds 10% of the aggregate outstanding principal amount of either approved loan amounts, or if fully funded at less than the approved

amounts, then actual loan amounts; provided that any such Borrower shall no longer be another Obligated Person on such date, if any, as the aggregate principal balance under Loan Agreements of such Borrower under the Master Trust Indenture are less than 10% of the then aggregate outstanding principal balance of either approved loan amounts, or if fully funded at less than the approved amounts, then actual loan amounts.

"Owner" means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

"SEC" means the Securities and Exchange Commission.

3. Provision of Annual Financial Information and Financial Statements.

- a. The Issuer shall, on or before each August 1, commencing August 1, 2012, provide to the MSRB in an electronic format as prescribed by the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Undertaking and which shall include the CUSIP numbers for the all outstanding Bonds and such other identifying information as may be required from time to time by the Rule. The Annual Report shall be submitted to the MSRB at EMMA or as otherwise directed by the MSRB and may be submitted as a single document or as separate documents comprising a package, and may incorporate by specific reference information in documents available to the public on the MSRB's internet website or filed with the SEC; provided that the Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.
- b. If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a) to the MSRB, the Issuer shall provide a notice of such failure to the MSRB as set forth in Section 5(b) hereof.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following information: (i) the annual audited Financial Statements of the Issuer for the prior Fiscal Year, (ii) current financial and operating data of a recent date updating the financial and operating data set forth in the Final Official Statement under the captions "North Dakota State Revolving Funds – Clean Water and Drinking Water SRF Capitalization Grants", "North Dakota State Revolving Funds – Current Account Balances", "Sources of Payment and Security – Revenues and Other Available Monies", "Investments", "The North Dakota Public Finance Authority – Outstanding Debt of the State Revolving Fund Program", and "The North Dakota Public Finance Authority – Other Outstanding Debt of the Authority", (iii) the annual Financial Statements of each Obligated Person for the prior Fiscal Year of the Obligated Person and annual financial information with respect to each Obligated Person similar to or updating that set forth in Appendix A of the Final Official Statement, and (iv) information updating the information with respect to Clean Water and Drinking Water SRF Loans of the Issuer set forth in Appendix B of the Final Official Statement. The Authority reserves the right to modify from time to time the specific types of information provided above or the format of presentation of the information, provided that the modification is permitted under Section 9 hereof.

5. Reporting of Material Events.

- a. The Issuer shall provide to the MSRB in an electronic format prescribed by the MSRB notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event, which notice shall be submitted to the MSRB at EMMA, or as otherwise directed by the MSRB:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modification to rights of security holders, if material;
- (viii) Bond Calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

- b. If the Issuer determines that it has failed to give notice of a Material Event as set forth above or to file the Annual Report in a timely fashion as required herein, the Issuer shall promptly file a notice of such occurrence to the MSRB in an electronic format prescribed by the MSRB, which notice shall be submitted to the MSRB at EMMA or as otherwise directed by the MSRB.

6. Reporting Generally. The Issuer shall file its Annual Report, each notice of a Material Event, and each notice required by subsection (b) of Sections 3 and 5 of this Undertaking with the CUSIP numbers for all outstanding Bonds specified and such other identifying information as may be required from time to time by the Rule or by the MSRB. Each such item shall be submitted to the MSRB at EMMA, or as otherwise directed by the Rule or the MSRB, in an electronic format prescribed by the MSRB.

7. Termination of Reporting Obligation. The Issuer's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds.

8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

9. Amendment: Waiver. Notwithstanding any other provision of this Undertaking and without consent of the Owners of the Bonds, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver (i) is required by an amendment of the Rule by the SEC or procedures relating to the Rule by the MSRB, (ii) is to clarify an ambiguity or error, or (iii) does not provide for undertakings, or modifications of the information to be provided or of the format of such information, which violate the Rule or procedures of the MSRB then in effect or eliminates undertakings then required by the Rule or otherwise required by the SEC or the MSRB with respect to the Rule, which may be evidenced by a written opinion of legal counsel selected by the Issuer to the effect that such amendment or waiver would not, in and of itself, violate the Rule, requires undertakings which would violate the Rule or eliminates undertakings required by the Rule. If the Issuer determines that any such amendment or waiver materially changes the information provided to the MSRB or the timing of the information to be provided and that such information has not otherwise been provided to the MSRB in

an Annual Report or Material Event filing, it shall provide the MSRB notice of such amendments as additional information pursuant to Section 10 hereof.

10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from providing any other information to the public, using the means of filing with the MSRB as set forth in this Undertaking or any other means of communication. Such information may include any other information in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information and may state in the disclosure that it does not intend to update such information.

11. Default.

- a. Sale Remedy. In the event of a failure of the Issuer to comply with any provision of this Undertaking, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Undertaking in the event of any failure of the Issuer to comply with this Undertaking shall be an action to compel performance.
- b. No Monetary Damages. Notwithstanding any other provision of this Undertaking, neither the State of North Dakota, the Industrial Commission of North Dakota, the Issuer, nor any officer, employee, or agent thereof shall be liable for any claims whatsoever for monetary damages or attorney's fees for any breach of this Undertaking.

12. Beneficiaries. This Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, I have executed this Undertaking in my official capacity on behalf of the North Dakota Public Finance Authority effective the ___ day of August, 2011.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

Executive Director

APPENDIX F

Extraordinary Mandatory Redemption Prices

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The Series 2011A Bonds are subject to extraordinary mandatory redemption on October 1, 2014. The redemption price will be equal to 105% of the amortized issued price, plus accrued interest on the principal amount redeemed thereon to the date of redemption. The chart below shows the amortized issue price and the subsequent Redemption Price as a percent of principal amount of the Series 2011A Bonds to be redeemed on October 1, 2014.

<u>Maturing October 1,</u>	<u>CUSIP</u>	<u>Amortized Issue Price</u>	<u>Redemption Price</u>
2012	65887PHH1	--	--
2013	65887PHJ7	--	--
2014	65887PHK4	--	--
2014	65887PJC0	--	--
2015	65887PHL2	102.937%	108.084%
2016	65887PHM0	105.191%	110.451%
2017	65887PHN8	109.488%	114.962%
2017	65887PJD8	100.756%	105.794%
2018	65887PHP3	110.867%	116.410%
2018	65887PJE6	107.054%	112.407%
2019	65887PHQ1	111.532%	117.109%
2019	65887PJK2	106.863%	112.206%
2020	65887PHR9	112.132%	117.739%
2020	65887PJF3	101.152%	106.210%
2021	65887PHS7	112.745%	118.382%
2022	65887PHT5	111.474%	117.048%
2022	65887PJG1	99.754%	104.742%
2023	65887PHU2	110.416%	115.937%
2023	65887PJH9	98.493%	103.418%
2024	65887PHV0	109.436%	114.908%
2025	65887PHW8	108.594%	114.024%
2026	65887PHX6	108.016%	113.417%
2027	65887PHY4	107.442%	112.814%
2028	65887PJL0	106.871%	112.215%
2029	65887PHZ1	106.429%	111.750%
2030	65887PJA4	106.053%	111.356%
2031	65887PJB2	105.553%	110.831%
2031	65887PJJ5	99.026%	103.977%

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