

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See “RATINGS” herein.

Interest on the Series 2014A Bonds will be included in gross income for federal income tax purposes. In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Board, under existing statutes, interest on the Series 2014A Bonds will be exempt from income taxation by the State of Oklahoma or any county, municipality or political subdivision therein. See the information contained herein under the caption “TAX MATTERS” for a discussion of the opinion of Bond Counsel and Appendix E hereto.



\$55,560,000
OKLAHOMA WATER RESOURCES BOARD
REVOLVING FUND REVENUE REFUNDING BONDS
TAXABLE SERIES 2014A (MASTER TRUST)

Dated: Date of Delivery

Due: As shown on inside cover

The above-captioned bonds (the “Series 2014A Bonds”) are issuable in fully registered form in the denomination of \$5,000 or any integral multiple thereof. Interest on the Series 2014A Bonds is payable on April 1 and October 1 of each year, commencing October 1, 2014, until maturity or prior redemption. The Series 2014A Bonds will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to its Book-Entry Only System. So long as DTC or its nominee remains the registered owner of the Series 2014A Bonds, the principal of and interest on the Series 2014A Bonds will be payable by the 2014A Bond Trustee (hereafter defined) to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See “THE SERIES 2014A BONDS—Book-Entry-Only System” herein.

The Series 2014A Bonds are limited and special revenue obligations of the Oklahoma Water Resources Board (the “Board”) and are payable as to principal and interest solely from the security granted under the 2014A Bond Indenture which includes (i) Revenues derived from the Pledged Loans (as such terms are defined herein), (ii) amounts held in the funds and accounts established under the 2014A Bond Indenture (subject to certain exceptions as more fully described herein), and (iii) all proceeds of the foregoing (including investment earnings thereon) held by BancFirst, Oklahoma City, Oklahoma, as trustee (the “2014A Bond Trustee”), under the Bond Indenture dated as of March 1, 2014 (the “2014A Bond Indenture”), between the Board and the 2014A Bond Trustee. The 2014A Bond Trustee also has been designated to act as Paying Agent and Registrar for the Series 2014A Bonds. In addition, the Series 2014A Bonds are secured by amounts that become available under a Master Trust Agreement, dated as of October 1, 2003 (the “Master Trust Agreement”), between the Board and BancFirst, as trustee (the “Master Trustee”).

The Series 2014A Bonds are subject to optional redemption prior to maturity. See “THE SERIES 2014A BONDS—Redemption Provisions” herein.

The Series 2014A Bonds are being issued to provide funds, together with certain other available moneys and investments, (i) to refund the Board’s Series 2004 Bonds described herein, the proceeds of which were used to make loans to Oklahoma local governmental entities to finance projects eligible for financial assistance from the Clean Water State Revolving Fund, (ii) to fund a debt service reserve fund for the Series 2014A Bonds through the transfer of a portion of reserve fund amounts held for such Series 2004 Bonds as further described herein, and (iii) to pay costs of issuance of the Series 2014A Bonds.

Maturity Schedule on Inside Cover

The State of Oklahoma (the “State”) is not obligated to pay the principal of or interest on the Series 2014A Bonds. The Series 2014A Bonds do not constitute a debt or a pledge of the faith and credit or taxing power of the State or of any county, municipality or political subdivision of the State, and the holders or owners thereof shall have no right to have taxes levied by the State Legislature or the taxing authority of any county, municipality or political subdivision of the State for the payment of the principal thereof or interest thereon. The Board has no taxing power.

The Series 2014A Bonds described above are offered for sale, when, as and if issued, and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice and subject to certification by the Attorney General of the State, and the approval of legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Board by its General Counsel and certain legal matters will be passed upon by Kutak Rock LLP, as Counsel to the Underwriters. It is expected that the Series 2014A Bonds will be available for delivery to DTC in New York, New York, on or about March 20, 2014.

BofA Merrill Lynch

BOSC, Inc.,
A subsidiary of BOK Financial Corporation

J.P. Morgan

Morgan Stanley

The date of this Official Statement is February 25, 2014

\$55,560,000
OKLAHOMA WATER RESOURCES BOARD
REVOLVING FUND REVENUE REFUNDING BONDS
TAXABLE SERIES 2014A (MASTER TRUST)

Maturities, Amounts, Interest Rates and Yields

| Maturity <u>April 1</u> | <u>Amount</u> | Interest <u>Rate</u> | <u>Yield</u> | CUSIP <u>Base: 67919P</u> |
|--|----------------------|---------------------------------------|---------------------|--|
| 2015 | \$6,490,000 | 0.188% | 0.188% | LD3 |
| 2016 | 6,185,000 | 0.464 | 0.464 | LE1 |
| 2017 | 5,805,000 | 1.000 | 1.000 | LF8 |
| 2018 | 5,670,000 | 1.508 | 1.508 | LG6 |
| 2019 | 5,075,000 | 1.958 | 1.958 | LH4 |
| 2020 | 4,375,000 | 2.444 | 2.444 | LJ0 |
| 2021 | 4,070,000 | 2.794 | 2.794 | LK7 |
| 2022 | 4,100,000 | 3.071 | 3.071 | LL5 |
| 2023 | 4,015,000 | 3.271 | 3.271 | LM3 |
| 2024 | 3,950,000 | 3.451 | 3.451 | LN1 |
| 2025 | 3,175,000 | 3.571 | 3.571 | LP6 |
| 2026 | 2,650,000 | 3.671 | 3.671 | LQ4 |

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The Series 2014A Bonds are offered only by means of this Official Statement. This Official Statement does not constitute an offering of any security other than the Series 2014A Bonds specifically offered hereby. It does not constitute an offer to sell or a solicitation of an offer to buy the Series 2014A Bonds in any state or jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale, and no dealer, broker, salesman or other person has been authorized to make such unlawful offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2014A Bonds and, if given or made, such other information or representations must not be relied upon.

The Series 2014A Bonds will not be registered under the Securities Act of 1933, as amended, and the Board and the Underwriters of the Series 2014A Bonds do not intend to list the Series 2014A Bonds on any stock or other securities exchange. The Securities and Exchange Commission has not passed upon the accuracy or adequacy of this Official Statement. With respect to the various states in which the Series 2014A Bonds may be offered, no attorney general, state official, state agency or bureau, or other state or local governmental entity has passed upon the accuracy or adequacy of this Official Statement or passed on or endorsed the merits of this offering of Series 2014A Bonds.

All references made herein to the Series 2014A Bonds are qualified in their entirety by reference to the 2014A Bond Indenture. All references made herein to the 2014A Bond Indenture and the Master Trust Agreement are qualified in their entirety by reference to such complete documents, original counterparts of which are on file in the offices of the Board, 3800 North Classen Boulevard, Oklahoma City, Oklahoma 73118.

Any statements contained in this Official Statement, including the Appendices hereto, involving matters of opinion, estimates or projections, whether or not expressly so stated, are intended as such and not as representations of fact. Summaries of documents do not purport to be complete or definitive, and all references made to such documents are qualified in their entirety by reference to the complete document. The information contained in this Official Statement, including the cover page and Appendices hereto, has been obtained from the Board and other sources which are deemed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and this Official Statement is not to be construed as the promise or guarantee of the Underwriters. Such information is subject to change and/or correction without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall create any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof. This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be reproduced or used in whole or in part for any other purpose. This Official Statement shall not be construed as a contract or agreement between the Board and the purchasers or holders of any of the Series 2014A Bonds.

This Official Statement contains statements that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2014A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OKLAHOMA WATER RESOURCES BOARD

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Vice Chairman..... Tom Buchanan
Secretary..... Linda P. Lambert
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Member F. Ford Drummond
MemberMarilyn Feaver
MemberEd Fite
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General CounselJerry Barnett
Asst. General Counsel and Funds Manager.....Kate Burum

BOND COUNSEL

McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

FINANCIAL ADVISOR

First Southwest Company
Dallas and San Antonio, Texas

**2014A BOND TRUSTEE
AND MASTER TRUSTEE**

BancFirst
Oklahoma City, Oklahoma

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OFFICIAL STATEMENT

\$55,560,000

**OKLAHOMA WATER RESOURCES BOARD
REVOLVING FUND REVENUE REFUNDING BONDS
TAXABLE SERIES 2014A (MASTER TRUST)**

INTRODUCTION

Purpose of Official Statement

This Official Statement, which includes the cover page and the Appendices attached hereto, provides information in connection with the offer and sale by the Oklahoma Water Resources Board (the “Board”), a body corporate and politic and an instrumentality, agency and department of the State of Oklahoma (the “State”), of its \$55,560,000 Oklahoma Water Resources Board Revolving Fund Revenue Refunding Bonds, Taxable Series 2014A (Master Trust) (the “Series 2014A Bonds”). Capitalized terms used in this Official Statement and not otherwise defined herein have the meaning set forth in Appendix A.

Authority for the Series 2014A Bonds

The Series 2014A Bonds are being issued by the Board pursuant to Title 82, Oklahoma Statutes 2011, Section 1085.31 *et seq.*, as amended (the “Act”), and an authorizing resolution adopted by the Board on January 21, 2014 (the “Resolution”). The Series 2014A Bonds are being issued and secured under a Bond Indenture, dated as of March 1, 2014 (the “2014A Bond Indenture”), between the Board and BancFirst, Oklahoma City, Oklahoma, as trustee (the “2014A Bond Trustee”). The Series 2014A Bonds additionally are secured under a Master Trust Agreement dated as of October 1, 2003 (the “Master Trust Agreement”), between the Board and BancFirst, as trustee (the “Master Trustee”).

Purpose of the Series 2014A Bonds

The Board was established pursuant to statute now codified at Title 82, Oklahoma Statutes 2011, Section 1085.1, as amended. Among other statutory powers and duties of the Board, the Act authorizes the Board to carry out the purposes of the Act, including the establishment and administration of its Clean Water State Revolving Fund Loan Program (the “CWSRF Program”) and its Drinking Water State Revolving Fund Loan Program (the “DWSRF Program”). Under the Act, the Board is authorized to issue obligations to finance any Water Quality Project or Drinking Water Treatment Project, each as defined in the Act. The Master Trust Agreement permits the issuance of bonds for the CWSRF Program and the DWSRF Program. The Series 2014A Bonds will be the tenth series of bonds issued by the Board under the Master Trust Agreement. The previous series of bonds issued by the Board and remaining Outstanding under the Master Trust Agreement (collectively, the “Outstanding Master Trust Bonds”) were issued by the Board under separate bond indentures and are described under the caption “MASTER TRUST BONDS” herein. Future series of revenue bonds issued under the Master Trust Agreement may benefit either or both of the CWSRF Program and the DWSRF Program.

The Series 2014A Bonds are being issued in furtherance of the Board’s CWSRF and DWSRF Programs to provide funds, together with certain other available moneys and investments, (i) to refund the \$145,985,000 outstanding aggregate principal amount of the Board’s Revolving Fund Revenue Bonds, Series 2004 (Master Trust) (the “Series 2004 Refunded Bonds”) described in Schedule I hereto, the proceeds of which were used to make loans to Oklahoma local governmental entities to finance projects eligible for financial assistance from the Clean Water State Revolving Fund and the Drinking Water State

Revolving Fund, (ii) to fund a debt service reserve fund for the Series 2014A Bonds through the transfer of a portion of reserve fund amounts held for the Series 2004 Refunded Bonds as further described herein, and (iii) to pay costs of issuance of the Series 2014A Bonds. See “PLAN OF REFUNDING” herein.

See Appendix B hereto for a summary of certain provisions of the Master Trust Agreement. See Appendix C hereto for a summary of certain provisions of the 2014A Bond Indenture.

Security for the Series 2014A Bonds

The Series 2014A Bonds are issued and secured under the terms and provisions of the 2014A Bond Indenture and are not issued on a parity with the Outstanding Master Trust Bonds except for amounts available under the Master Trust Agreement (see “THE MASTER TRUST AGREEMENT; CROSS-COLLATERALIZATION” herein).

The payment of principal and interest on the Series 2014A Bonds is secured solely by (i) Revenues derived from the loans funded with the proceeds of the Series 2004 Refunded Bonds under the CWSRF Program (the “Pledged Loans”) described in Appendix G hereto, excluding Administrative Fee Payments (as such terms are defined herein), (ii) amounts held in the funds and accounts established under the 2014A Bond Indenture (excluding moneys on deposit in the Costs of Issuance Fund and the Administrative Fee Subaccount of the Revenue Fund), (iii) all proceeds of the foregoing (including investment earnings thereon) held by the 2014A Bond Trustee under the 2014A Bond Indenture, and (iv) amounts available under the Master Trust Agreement for that purpose, in each case subject to the uses, restrictions and priorities set forth in the 2014A Bond Indenture.

Pledged Loans may be released or substituted as is more fully described herein. See “SECURITY AND PAYMENT FOR THE SERIES 2014A BONDS” and “THE MASTER TRUST AGREEMENT; CROSS-COLLATERALIZATION” herein.

Additional Programs of the Board

In addition to the Loans made pursuant to either or both the CWSRF Program and the DWSRF Program, the Board also provides (i) construction loans to Borrowers for projects eligible for financing under the CWSRF Program and (ii) long-term loans to Borrowers for projects (regardless of eligibility for financing under the CWSRF Program or the DWSRF Program) through another loan program known as the “Financial Assistance Program.” See “STATE REVOLVING FUND PROGRAMS” and “PROGRAMS OF THE BOARD” herein.

From time to time, the Board may also develop additional future programs to provide financial assistance to persons or entities eligible under the terms of such program. At that time, the Board may elect to issue one or more series of bonds or notes to fund such program, which bonds or notes may be secured from revenues other than those pledged to the repayment of the Series 2014A Bonds. The holders of the Series 2014A Bonds will have no rights to the proceeds from any such bonds or notes issued by the Board in connection with any such future program, or to any of the assets acquired or established therewith, or to any property pledged as security for the payment of such bonds or notes.

Limited Obligations of the Board

THE SERIES 2014A BONDS CONSTITUTE SPECIAL AND LIMITED OBLIGATIONS OF THE BOARD, PAYABLE ONLY AS DESCRIBED HEREIN. THE STATE IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014A BONDS. THE SERIES 2014A BONDS DO NOT CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR

TAXING POWER OF THE STATE OR OF ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE, AND THE HOLDERS OR OWNERS THEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE STATE LEGISLATURE OR THE TAXING AUTHORITY OF ANY COUNTY, MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR INTEREST THEREON. THE BOARD HAS NO TAXING POWER.

PLAN OF REFUNDING

The Series 2014A Bonds are being issued in furtherance of the Board's CWSRF and DWSRF Programs to provide funds, together with certain other available moneys and investments, (i) to refund the \$145,985,000 outstanding aggregate principal amount of the Series 2004 Refunded Bonds described in Schedule I hereto, (ii) to fund a debt service reserve fund for the Series 2014A Bonds through the transfer of a portion of reserve fund amounts held for the Series 2004 Refunded Bonds as further described below, and (iii) to pay costs of issuance of the Series 2014A Bonds.

Proceeds of the Series 2004 Refunded Bonds were used to make subsidized loans to eligible local governmental entities in the State to finance or refinance the cost of acquiring, constructing and improving qualifying drinking water systems and qualifying wastewater treatment systems. To receive a Loan from the CWSRF Program or DWSRF Program, a Borrower must (i) be approved by the Board, (ii) enter into a Loan Agreement with the Board, (iii) have enacted an ordinance or resolution, which provides for the Loan repayment through the issuance of a local note, and (iv) secure the Loan by at least the revenues derived from the operation and existence of the project. See Appendix D hereto for a summary of certain provisions of the form of the Loan Agreement. Each Loan is secured by the revenues of the Borrower's water system and/or wastewater system (at least the revenues derived from the operation and existence of the system of the Borrower, but such term may include other utility system revenues and any other revenue source, which may include sales tax revenue, pledged to the payment of the local Loan and accepted by the Board).

In connection with the authorization of the issuance of the Series 2014A Bonds the Board granted an option to the Borrowers under (and consented to the Prepayment of) the Loans pledged to the Series 2004 Refunded Bonds (the "2004 Loans"). Approximately \$74,161,097 of the currently outstanding balance of \$181,408,450 of such 2004 Loans will be prepaid by the Borrowers and such Prepayments will be applied to the redemption of a portion of the Series 2004 Refunded Bonds. Approximately \$88,300,466 of the remaining balance of such 2004 Loans (consisting of loans funded with the proceeds of the Series 2004 Refunded Bonds under the CWSRF Program) will be transferred to the Trust Estate to be held under the 2014A Bond Indenture as security for the payment of the Series 2014A Bonds. Approximately \$18,946,887 of the remaining balance of such 2004 Loans (consisting of loans funded with the proceeds of the Series 2004 Refunded Bonds under the DWSRF Program) will be released to the Board and will be pledged by the Board under a separate bond indenture securing payment of another series of revenue bonds issued by the Board to finance or refinance loans made under the DWSRF Program.

Upon the refunding of the Series 2004 Refunded Bonds, the 2004 Loans that will be pledged under the 2014A Bond Indenture as security for the payment of the Series 2014A Bonds are described in Appendix G hereto.

The following table sets forth the estimated application of the proceeds of the Series 2014A Bonds and other available moneys and assets to be contributed by the Board:

Sources of Funds

| | |
|---------------------------------------|-------------------------|
| Par Amount of Series 2014A Bonds | \$ 55,560,000.00 |
| 2004 Loan Prepayments ¹ | 73,520,462.04 |
| Other Available Moneys | 18,948,461.47 |
| 2004 Reserve Fund Moneys ² | <u>63,364,875.50</u> |
| Total Sources: | <u>\$211,393,799.01</u> |

Uses of Funds

| | |
|--|-------------------------|
| Deposit to the 2004 Defeasance Fund | \$149,526,620.63 |
| Deposit to the 2014A Reserve Fund ² | 34,628,536.03 |
| Issuance Costs (including Underwriters' Discount) ³ | 537,318.51 |
| Amount to be released to the Board ⁴ | <u>26,701,323.84</u> |
| Total Uses: | <u>\$211,393,799.01</u> |

¹ Includes \$20,348,126.52 of Prepayments of certain 2004 Loans originated under the CWSRF Program and \$53,172,335.52 of Prepayments of certain 2004 Loans originated under the DWSRF Program.

² The Reserve Fund for the Series 2014A Bonds will be funded by a transfer of a portion of the moneys on deposit in the reserve fund established for the benefit of the Series 2004 Refunded Bonds ("2004 Reserve Fund Moneys"). See "SECURITY AND PAYMENT FOR THE SERIES 2014A BONDS—Establishment of Funds and Accounts Under the 2014A Bond Indenture—Reserve Fund" herein.

³ Includes Underwriters' discount (\$209,891.51) and the fees and expenses of legal and financial advisors, the 2014A Bond Trustee, the Master Trustee and other issuance costs for the Series 2014A Bonds, the payment of which is contingent upon the issuance of the Series 2014A Bonds.

⁴ Consists of \$20,554,029.31 in 2004 Reserve Fund Moneys originally funded with DWSRF Capitalization Grants and \$6,147,294.53 in repayments of certain 2004 Loans originated under the CWSRF Program anticipated to be received prior to the date of delivery of the Series 2014A Bonds.

In order to effect the refunding of the Series 2004 Refunded Bonds, on the date of delivery of the Series 2014A Bonds the Board intends to deposit with BancFirst, Oklahoma City, Oklahoma, as trustee for the Series 2004 Refunded Bonds, moneys which will be sufficient to pay the redemption prices of and the interest on the Series 2004 Refunded Bonds on the date fixed for their redemption as described in Schedule I hereto. The moneys and securities so deposited will be available only for the payment of the Series 2004 Refunded Bonds and will not be available for the payment of the Series 2014A Bonds. After such deposit, the Board will be discharged from all payment obligations with respect to the Series 2004 Refunded Bonds.

THE SERIES 2014A BONDS

Description of the Series 2014A Bonds

The following is a summary of certain provisions applicable to the Series 2014A Bonds. Reference is made to the Series 2014A Bonds themselves for the complete texts thereof and to the 2014A Bond Indenture and the discussion herein is qualified by such references.

The Series 2014A Bonds will be issuable as fully registered bonds without coupons in denominations of \$5,000 each or any integral multiple of \$5,000. The Series 2014A Bonds will mature on the dates and in the principal amounts shown on the inside cover of this Official Statement. Interest on the Series 2014A Bonds shall be computed on the basis of a 360-day year, consisting of twelve 30-day

months. The Series 2014A Bonds shall bear interest from their date of delivery, at the rates set forth on the inside cover of this Official Statement. Interest is payable on April 1 and October 1 of each year, commencing October 1, 2014, until maturity or prior redemption.

The Series 2014A Bonds are initially issuable in book-entry form (as described in Appendix K hereto). Initially, Cede & Co., the nominee of The Depository Trust Company (“DTC”), will be the registered owner and references herein to the Bondholders or registered owners of the Series 2014A Bonds mean Cede & Co. and not the beneficial owners of the Series 2014A Bonds. The principal of, premium, if any, and interest on the Series 2014A Bonds will be payable by the 2014A Bond Trustee to Cede & Co., which will make distribution of the amounts so paid to the Beneficial Owners of the Series 2014A Bonds. See “Book-Entry-Only System” in Appendix K hereto.

Redemption Provisions

Optional Redemption. All of the Series 2014A Bonds or any portion thereof shall be subject to redemption at any time at the option of the Board from any source, in whole or in part (by lot within a maturity), at the “Make Whole Redemption Price.” The Make Whole Redemption Price is the greater of (i) 100% of the principal amount of the Series 2014A Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2014A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2014A Bonds are to be redeemed, discounted on a semi-annual basis to the date on which the Series 2014A Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (as defined below) plus 10 basis points, plus, in each case, accrued and unpaid interest on the Series 2014A Bonds to be redeemed on the redemption date. The redemption price will be calculated by the “Quotation Agent” acting for the Board; initially, First Southwest Company will serve as Quotation Agent.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2014A Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Notice of Redemption. Unless waived by any Bondholder of the Series 2014A Bonds to be redeemed, official notice of any redemption of the Series 2014A Bonds shall be given by the Bond Registrar on behalf of the Board by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the Bondholder of the Series 2014A Bond or Series 2014A Bonds to be redeemed at the address shown on the Bond Register; *provided, however*, that failure to give such notice by mail as aforesaid to any Bondowner or any defect therein as to any particular Series 2014A Bond shall not affect the validity of any proceedings for the redemption of any other Series 2014A Bonds.

Any such notice of optional redemption may be made conditional upon the receipt of moneys or other conditions. The 2014A Bond Trustee shall rescind such notice of the optional redemption of Series 2014A Bonds in accordance with the 2014A Bond Indenture in the event moneys available solely for such optional redemption in accordance with the requirements of the 2014A Bond Indenture and sufficient to pay the Series 2014A Bonds called for optional redemption and accrued interest thereon to the date fixed

for redemption and the redemption premium, if any, shall not have been deposited with the 2014A Bond Trustee by the close of business of the fifth Business Day next preceding such optional redemption date.

Upon the happening of the above conditions, and notice having been given as provided in the 2014A Bond Indenture, the Series 2014A Bonds or the portions of the principal amount of Series 2014A Bonds thus called for redemption shall cease to bear interest on the specified redemption date, *provided* moneys sufficient for the payment of the redemption price are on deposit at the place of payment at the time, and shall no longer be entitled to the protection, benefit or security of the 2014A Bond Indenture and shall not be deemed to be Outstanding under the provisions of the 2014A Bond Indenture.

Selection of Bonds to be Redeemed. The 2014A Bond Trustee shall select the Series 2014A Bonds, or portions thereof, to be redeemed from each maturity by lot, in such manner as it shall in its discretion determine.

SECURITY AND PAYMENT FOR THE SERIES 2014A BONDS

General

The Series 2014A Bonds are issued and secured under the terms and provisions of the 2014A Bond Indenture and are not issued on a parity with the Outstanding Master Trust Bonds except for amounts available under the Master Trust Agreement (see “THE MASTER TRUST AGREEMENT; CROSS-COLLATERALIZATION” herein).

The payment of principal and interest on the Series 2014A Bonds is secured solely by (i) Revenues derived from the Pledged Loans described in Appendix G hereto, excluding Administrative Fee Payments (as such terms are defined herein), (ii) amounts held in the funds and accounts established under the 2014A Bond Indenture (excluding moneys on deposit in the Costs of Issuance Fund and the Administrative Fee Subaccount of the Revenue Fund), (iii) all proceeds of the foregoing (including investment earnings thereon) held by the 2014A Bond Trustee under the 2014A Bond Indenture, and (iv) amounts available under the Master Trust Agreement for that purpose, in each case subject to the uses, restrictions and priorities set forth in the 2014A Bond Indenture.

Pledged Loans may be released or substituted as is more fully described herein.

The Series 2014A Bonds also are secured by the Master Trust Agreement, together with the Outstanding Master Trust Bonds. Under the Master Trust Agreement, the Board has pledged and granted to the Master Trustee a security interest in all moneys transferred by each Bond Indenture Trustee under a Bond Indenture, subject to the uses, restrictions and priorities set forth therein. See “THE MASTER TRUST AGREEMENT; CROSS-COLLATERALIZATION” herein and Appendix B hereto.

Revenues received by the 2014A Bond Trustee in excess of the amounts required to make payments of principal of and interest on the Series 2014A Bonds will be transferred to the Master Trustee under the Master Trust Agreement together with excess revenues under the Bond Indentures authorizing the Board’s CWSRF Bonds and DWSRF Bonds. Revenues from Loans pledged to secure DWSRF Bonds issued under a Bond Indenture in excess of the amounts required to make payments of principal of and interest on such DWSRF Bonds and amounts released from the Drinking Water Account of the Reserve Fund for such DWSRF Bonds, will be transferred to the Master Trustee under the Master Trust Agreement. Revenues from Loans pledged to secure CWSRF Bonds issued under a Bond Indenture in excess of the amounts required to make payments of principal of and interest on such CWSRF Bonds, and amounts released from the Clean Water Account of the Reserve Fund for such CWSRF Bonds, will be transferred to the Master Trustee under the Master Trust Agreement. CWSRF excess revenues

transferred to the Master Trustee and DWSRF excess revenues transferred to the Master Trustee will be held separately and applied first to cure defaults in those Bonds issued to finance projects in the respective program. Funds held by the Master Trustee for one program are pledged to cross collateralize the other program, but application of funds of one program for this purpose is only permitted if there are no defaults in the Bonds for that program and the Master Trustee has no funds of the other program available to cure defaults. See “THE MASTER TRUST AGREEMENT; CROSS-COLLATERALIZATION” herein.

Establishment of Funds and Accounts Under the 2014A Bond Indenture

Under the 2014A Bond Indenture, the following special funds and accounts are established, each of which is held by the 2014A Bond Trustee:

- (a) Loan Fund, consisting of a Prepayment Account (and within such account, a State Match Bond Subaccount and a Leveraged Bond Subaccount);
- (b) Revenue Fund, consisting of a Clean Water Account (and within such account, a Principal Component Subaccount, an Interest Component Subaccount, and an Administrative Fee Subaccount);
- (c) Debt Service Fund, consisting of a Clean Water Account (and within such account a State Match Bond Subaccount and a Leveraged Bond Subaccount);
- (d) Reserve Fund, consisting of a Clean Water Account; and
- (e) Costs of Issuance Fund.

Loan Fund. There shall be deposited in the Prepayment Account of the Loan Fund moneys received as Prepayments of Loans which were funded in whole or in part with proceeds of the Bonds. Prepayments shall be deposited in the Prepayment Account of the Loan Fund upon delivery of an Officer’s Certificate. Moneys on deposit in the Prepayment Account of the Loan Fund shall be used within 90 days of the receipt of the Prepayment to make Loans or to acquire Federal Securities. Prepayments which have not been applied in the manner described above in this paragraph may be held by the Board for a period in excess of 90 days following the receipt of such Prepayments if there has been delivered to the Board a written opinion of Bond Counsel to the effect that such action will not adversely affect the excludability from gross income of the interest payable on the Bonds then Outstanding.

Revenue Fund. All Revenues derived from the Pledged Loans, the related Loan Agreements and the related Borrower Obligations, transfers from moneys on deposit in the Clean Water Account of the Reserve Fund, to the extent available, and all investment income derived from investments made with moneys on deposit in the Clean Water Account of the Revenue Fund and the Clean Water Account of the Debt Service Fund will be deposited in the Clean Water Account of the Revenue Fund by the Board.

Revenues constituting principal payments on Pledged Loans will be deposited in the Principal Component Subaccount and Revenues constituting interest payments on such Pledged Loans and investment earnings on the various Clean Water Accounts will be deposited in the Interest Component Subaccount. Revenues constituting Administrative Fee Payments on Pledged Loans will be deposited in the Administrative Fee Subaccount.

See “Flow of Funds” in Appendix C hereto for a description of the timing and amounts of transfers required to be made by the 2014A Bond Trustee pursuant to the terms of the 2014A Bond Indenture.

Debt Service Fund. On each Payment Date, amounts in the Revenue Fund are transferred to the Debt Service Fund as follows: (i) amounts in the Interest Subaccount of the Clean Water Account of the Revenue Fund are transferred to the State Match Bond Subaccount of the Clean Water Account of the Debt Service Fund in an amount sufficient to pay principal of and interest on the portion of the Series 2014A Bonds that are Clean Water State Match Bonds becoming due on such Payment Date, and (ii) amounts in the Principal Subaccount and, to the extent needed, amounts remaining in the Interest Subaccount of the Clean Water Account of the Revenue Fund are transferred to the Leveraged Bond Subaccount of the Clean Water Account of the Debt Service Fund in an amount sufficient to pay principal of and interest on the portion of the Series 2014A Bonds that are Clean Water Leveraged Bonds becoming due on such Payment Date.

To the extent that there are deficiencies in either the Leveraged Bond Subaccount or the State Match Bond Subaccount of the Clean Water Account of the Debt Service Fund, amounts in the Clean Water Account of the Deficiency Fund may be transferred to the Debt Service Fund, but only amounts in the Unrestricted Subaccount of the Clean Water Account of the Deficiency Fund may be transferred to the State Match Bond Subaccount. Amounts in the Restricted Subaccount of the Clean Water Account of the Deficiency Fund are not available to make deposits to the State Match Bond Subaccount.

Reserve Fund. There shall be deposited in the Clean Water Account of the Reserve Fund: (i) the amount of the 2014A Reserve Fund deposit described under the Sources and Uses table under “PLAN OF REFUNDING” herein from moneys remaining on deposit in the reserve fund established for the benefit of the Series 2004 Refunded Bonds, the original source of which were Clean Water Capitalization Grants received by the Board; and (ii) any other moneys directed by the Board to be deposited in the Clean Water Account of the Reserve Fund.

Moneys on deposit in the Clean Water Account of the Reserve Fund (other than earnings thereon, which shall be deposited in the Interest Component Subaccount of the Clean Water Account of the Revenue Fund) shall be (i) used, at the written direction of a Board Representative or Board staff under the supervision of the Chief, Financial Assistance Division, to make up any deficiencies in the Clean Water Account of the Debt Service Fund when the moneys there are insufficient to pay the principal of and interest on the Bonds when due, and (ii) transferred to the Revenue Fund on the dates and in the amounts as provided in the Series 2014A Bond Indenture; provided, that such transfers from the Clean Water Account of the Reserve Fund to the Clean Water Account of the Debt Service Fund as described in clause (i) shall be made only after all transfers to the Clean Water Account of the Debt Service Fund from the Clean Water Account of the Revenue Fund and from the Deficiency Fund.

The Board is under no obligation to maintain moneys in the Clean Water Account of the Reserve Fund in any specified amount. The Board may deposit to the credit of the Clean Water Account of the Reserve Fund, in its sole discretion, additional funds from any lawfully available source but is under no obligation to do so.

The 2014A Bond Trustee shall determine the market value of the assets in the Clean Water Account of the Reserve Fund established hereunder on each Payment Date or on such other date as principal is paid on the Series 2014A Bonds. As soon as practicable after each such valuation date, the 2014A Bond Trustee shall furnish to the Board a report of the status of each such account as of such date. In computing the value of assets in any such account, investments shall be valued at the fair market value thereof and shall include accrued but unpaid interest on each investment, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed part of such funds and accounts.

Cost of Issuance Fund. Moneys in the Costs of Issuance Fund shall be applied by the 2014A Bond Trustee to the payment of costs of issuance of the Series 2014A Bonds, including payment of all

necessary fees, costs and expenses of the 2014A Bond Trustee and the Board relating to the Series 2014A Bonds, as limited by the 2014A Bond Indenture. The 2014A Bond Trustee will transfer any balance remaining in the Costs of Issuance Fund on the 180th day following the issuance of the Series 2014A Bonds to the State Treasurer for deposit in the Water Resources Fund Account to make Loans to Borrowers.

Investments. The 2014A Bond Trustee will invest moneys deposited in the Funds established under the 2014A Bond Indenture as described under “PROGRAM INVESTMENTS” herein.

The 2014A Bond Indenture provides that the definition of “Investment Securities” set forth in the 2014A Bond Indenture is expected to be contained in all future bond indentures authorizing the issuance of Master Trust Bonds, and is intended to apply to all funds and accounts administered by the Trustee for all Master Trust Bonds once this definition of “Investment Securities” is contained in bond indentures governing the issuance of at least two-thirds in aggregate principal amount of the Master Trust Bonds then Outstanding. The 2012B Bond Indenture authorizing the issuance of the Series 2012B Bonds, the 2013A Bond Indenture authorizing the issuance of the Series 2013A Bonds and the 2013B Bond Indenture authorizing the issuance of the Series 2013B Bonds contained substantively identical provisions. To become effective and apply to all Master Trust Bonds then Outstanding, once at least two-thirds in aggregate principal amount of Master Trust Bonds then Outstanding are issued under bond indentures containing the definition of “Investment Securities” set forth in the 2014A Bond Indenture, the Trustee shall receive an opinion of Bond Counsel to the effect that the definition of “Investment Securities” reflected in the 2014A Bond Indenture is authorized or permitted by the bond indentures and the Act, complies with their respective terms, will be valid and binding upon the Board in accordance with its terms and will not adversely affect the exclusion of interest on the Master Trust Bonds from gross income of the owners thereof for federal income tax purposes or State taxes.

Limited, Special Obligations of the Board

The Series 2014A Bonds shall not constitute an indebtedness or an obligation, general or usual, or a pledge of the faith or loan of credit of the Board or the State, within the purview of any constitutional limitation or provision and shall never constitute or give rise to a charge against the faith and credit or taxing powers, if any of the Board or the State, but shall be limited special obligations of the Board payable solely from the Trust Estate established in the 2014A Bond Indenture and the Master Trust Agreement, the proceeds from the sale of the Series 2014A Bonds and the income from the temporary investment thereof. The holders or owners of the Series 2014A Bonds have no right to have taxes levied by the State Legislature or the taxing authority of any county, municipality or political subdivision of the State for the payment of the principal thereof or interest thereon. The Series 2014A Bonds do not constitute an obligation of the Borrowers. The Series 2014A Bonds constitute a special, limited obligation of the Board, payable solely as described above. The Board has no taxing power.

Additional Bonds

No Additional Bonds under the 2014A Bond Indenture. No additional bonds are permitted to be issued under the 2014A Bond Indenture.

Master Trust Agreement. The Outstanding Master Trust Bonds have been issued, the Series 2014A Bonds will be issued and additional bonds may be issued and secured in the future by the Board pursuant to the terms of the Master Trust Agreement without limitation as to amount for purposes of the CWSRF Program and the DWSRF Program, subject to certain limitations, and the Outstanding Master Trust Bonds and any such additional bonds are and shall be secured thereunder on a parity with the Series 2014A Bonds except with respect to any reserve accounts. Additional bonds may only be issued if the

following conditions are satisfied: (i) the principal amount of the Bonds then being issued, together with the Bonds then outstanding, will not exceed in aggregate principal amount any limitation imposed by law; and (ii) an Officer's Certificate has been delivered to the Master Trustee to the effect that cash flow reports evidence the sufficiency of the available revenues for each payment date under the Bond Indentures relating to all outstanding Bonds and the Bond Indenture relating to the Bonds then to be issued to pay not less than 1.1 times principal and interest coming due on all Bonds then outstanding and the Bonds then to be issued on each such payment date.

The bond indentures authorizing the issuance of the Outstanding Master Trust Bonds (the "Outstanding Bond Indentures") and the 2014A Bond Indenture have substantially the same provisions except with respect to provisions relating to the funding of Clean Water Loans or Drinking Water Loans, as described in the table under "MASTER TRUST BONDS—Previous Issuance of Outstanding Master Trust Bonds" herein. The 2013A Bond Indenture, the 2012B Bond Indenture, the 2012A Bond Indenture, the 2011B Bond Indenture, the 2011A Bond Indenture and the 2010 Bond Indenture did not establish a reserve fund. The 2013B Bond Indenture did establish a reserve fund funded with the transfer of moneys contained in the reserve fund for the 2003 Bonds refunded with proceeds of the Series 2013B Bonds. The 2014A Bond Indenture will establish a separate reserve fund as described under "—Establishment of Funds and Accounts Under the 2014A Bond Indenture—*Reserve Fund*" hereinabove. The bond indentures authorizing the issuance of additional series of Bonds may have significantly different provisions than the 2014A Bond Indenture and/or the Outstanding Bond Indentures. Bond indentures authorizing additional series of Bonds may have reserve requirements and may include Loans to Borrowers pledged as security thereunder that have credit quality differing from the credit quality of the Loans made to Borrowers from the proceeds of the Series 2014A Bonds and the Outstanding Master Trust Bonds and may have other provisions differing from the provisions of the 2014A Bond Indenture and the Outstanding Bond Indentures. These differences may affect the amount of Revenues becoming available to be deposited in the Deficiency Fund and may provide competing demands for amounts available in the Deficiency Fund. Bonds secured by the Master Trust Agreement may have a poorer credit quality than that of the Series 2014A Bonds or the Outstanding Master Trust Bonds and a greater likelihood that the Bond Trustee for such Bonds will make a claim for amounts in the Deficiency Fund.

See Appendix B "Summary of Certain Provisions of the Master Trust Agreement" for a more complete description. In addition, see "STATE REVOLVING FUND PROGRAMS—Planned Issuance of Additional Bonds" herein for a description of the Board's current plans with regard to the issuance of additional Revolving Fund Revenue Bonds.

Release of Pledged Loans; Substitution of Pledged Loans; Prepayment

Release of Pledged Loans. With respect to the Series 2014A Bonds, the 2014A Bond Trustee, upon the written direction of the Board may release Pledged Loans and the related Loan Agreements and Borrower Obligations from the lien of the 2014A Bond Indenture, upon the satisfaction of the following:

- (a) the delivery to the 2014A Bond Trustee of an Officer's Certificate (A) to the effect that cash flow reports evidence the sufficiency of (1) available Revenues from the remaining Loans and interest earnings on investments for each Payment Date to pay not less than 1.0 times principal and interest coming due on the Series 2014A Bonds on each such Payment Date, (2) available Revenues constituting interest payments only on the remaining Pledged Loans and interest earnings on investments for each Payment Date to pay not less than 1.0 times principal and interest coming due on the portion of the Series 2014A Bonds issued to finance state matching funds on each such Payment Date, (3) any and all available Revenues for each Payment Date securing all Master Trust Bonds to pay not less than 1.1 times principal and interest coming due on all Master Trust Bonds on each such Payment Date, and (4) any and all available

Revenues (consisting of investment earnings and loan interest earnings securing all series indentures) for each Payment Date securing all portions of Outstanding Master Trust Bonds issued to finance state matching funds to pay not less than 1.1 times principal and interest coming due on such portions of Master Trust Bonds on each such Payment Date (clauses (1)-(4) being herein referred to as the “Coverage Requirement”) and (B) specifying the Pledged Loans to be released; and

(b) the delivery to the 2014A Bond Trustee of an amendment to the schedule of Pledged Loans attached to the 2014A Bond Indenture (which amendment does not require the consent of the owners of the Series 2014A Bonds).

Substitution of Pledged Loans. With respect to the Series 2014A Bonds, the 2014A Bond Trustee, upon the written direction of the Board may release Pledged Loans, the related Loan Agreements and Borrower Obligations and substitute one or more Loans from the CWSRF Program or the DWSRF Program, as the case may be, for such Pledged Loan, related Loan Agreement and Borrower Obligation upon the delivery to the 2014A Bond Trustee of (i) the instruments described above under “Release of Pledged Loans,” provided that the substituted Loan or Loans shall be included in the calculation of the Coverage Requirement and (ii) confirmation from each Rating Agency then rating the Series 2014A Bonds that the proposed substitution will not result in a reduction or withdrawal of the then-applicable rating on the Series 2014A Bonds.

Prepayment. In connection with the authorization of the issuance of the Series 2014A Bonds, the Board granted an option to the Borrowers under (and consented to the Prepayment of) the 2004 Loans pledged to the Series 2004 Refunded Bonds. Approximately \$88,300,466 of the remaining balance of such 2004 Loans (consisting of loans funded with the proceeds of the Series 2004 Refunded Bonds under the CWSRF Program) will be transferred to the Trust Estate to be held under the 2014A Bond Indenture as security for the payment of the Series 2014A Bonds. Approximately \$18,946,887 of the remaining balance of such 2004 Loans (consisting of loans funded with the proceeds of the Series 2004 Refunded Bonds under the DWSRF Program) will be released to the Board and will be pledged by the Board under a separate bond indenture securing payment of another series of revenue bonds issued by the Board to finance or refinance loans made under the DWSRF Program. Thereafter, the Board shall not consent to a Prepayment of a Pledged Loan unless the Board first delivers to the 2014A Bond Trustee an Officer’s Certificate to the effect that the Coverage Requirement will be satisfied after taking into account such Prepayment. If the Board cannot deliver such an Officer’s Certificate, then the Board may exercise its rights described above under “Substitution of Pledged Loans.”

PROJECTED CASH FLOW AND DEBT SERVICE TABLE

The projected cash flow relating to the Series 2014A Bonds and the Outstanding Master Trust Bonds and the return on the investments related thereto are dependent on the Borrowers making timely payment on their respective Loans. The projected cash flow and debt service table which follows presents on an annual basis the projected amounts of total income (from repayments of Loans and investment earnings) and debt service on the Series 2014A Bonds and the Outstanding Master Trust Bonds. All such income and debt service amounts are estimates, subject to change, and are based upon various assumptions, among others, concerning the amounts, timing, interest rates and repayment schedules for the Loans, the amounts available for investment and the interest earnings on investment funds and the timely payment by all Borrowers. The table on the following page also assumes that the Series 2014A Bonds and the Outstanding Master Trust Bonds are the only Bonds issued under and secured by the Master Trust Indenture. Columns in such table may not sum due to rounding.

Projected Cash Flow and Debt Service Table

| Period Ending April 1 | Loan Repayments ¹ | Investment Income ² | Total Income | Outstanding Bonds Annual Debt Service ³ | Series 2014A Annual Debt Service | Less Refunded Series 2004 Debt Service | Total Annual Debt Service | Debt Service Coverage ⁴ | Reserve Fund Balances ⁵ |
|-----------------------|------------------------------|--------------------------------|-----------------|--|----------------------------------|--|---------------------------|------------------------------------|------------------------------------|
| 2014 | \$ 44,956,395 | \$ 5,068,773 | \$ 50,025,168 | \$ 37,747,892 | \$ 13,711,621 | \$ 13,711,621 | \$ 37,747,892 | 132.52% | \$ 67,542,569 |
| 2015 | 66,533,319 | 6,109,178 | 72,642,497 | 54,046,094 | 7,632,556 | 17,169,666 | 44,508,984 | 163.21 | 63,346,450 |
| 2016 | 70,817,931 | 6,218,275 | 77,036,206 | 53,844,110 | 7,281,478 | 16,812,066 | 44,313,522 | 173.84 | 58,912,173 |
| 2017 | 70,569,220 | 6,410,623 | 76,979,842 | 53,258,681 | 6,872,780 | 16,776,916 | 43,354,545 | 177.56 | 54,286,804 |
| 2018 | 71,116,543 | 6,626,235 | 77,742,778 | 52,916,646 | 6,679,730 | 16,749,166 | 42,847,210 | 181.44 | 49,370,168 |
| 2019 | 69,814,466 | 6,266,609 | 76,081,075 | 53,103,102 | 5,999,226 | 15,260,816 | 43,841,512 | 173.54 | 44,117,521 |
| 2020 | 68,673,054 | 6,153,726 | 74,826,780 | 51,931,815 | 5,199,858 | 14,516,316 | 42,615,356 | 175.59 | 39,080,688 |
| 2021 | 67,089,320 | 5,883,337 | 72,972,657 | 50,252,936 | 4,787,933 | 13,692,916 | 41,347,952 | 176.48 | 34,007,997 |
| 2022 | 62,542,283 | 5,415,179 | 67,957,462 | 47,998,957 | 4,704,217 | 12,706,281 | 39,996,893 | 169.91 | 29,038,958 |
| 2023 | 60,643,612 | 5,324,607 | 65,968,219 | 47,079,607 | 4,493,306 | 12,356,269 | 39,216,644 | 168.21 | 24,364,761 |
| 2024 | 58,619,915 | 5,185,498 | 63,805,413 | 45,230,969 | 4,296,975 | 12,056,219 | 37,471,726 | 170.28 | 19,608,108 |
| 2025 | 55,206,283 | 11,878,259 | 67,084,543 | 42,563,295 | 3,385,661 | 13,807,431 | 32,141,524 | 208.72 | 14,814,785 |
| 2026 | 53,076,871 | 4,104,945 | 57,181,816 | 39,306,500 | 2,747,282 | 13,309,344 | 28,744,438 | 198.93 | 3,154,863 |
| 2027 | 52,146,452 | - | 52,146,452 | 35,349,800 | - | 4,640,119 | 30,709,681 | 169.80 | - |
| 2028 | 50,166,507 | - | 50,166,507 | 29,521,175 | - | - | 29,521,175 | 169.93 | - |
| 2029 | 48,572,364 | - | 48,572,364 | 29,081,738 | - | - | 29,081,738 | 167.02 | - |
| 2030 | 46,703,134 | - | 46,703,134 | 27,270,763 | - | - | 27,270,763 | 171.26 | - |
| 2031 | 40,446,009 | - | 40,446,009 | 22,880,688 | - | - | 22,880,688 | 176.77 | - |
| 2032 | 32,488,154 | - | 32,488,154 | 20,588,388 | - | - | 20,588,388 | 157.80 | - |
| 2033 | 23,601,804 | - | 23,601,804 | 14,444,563 | - | - | 14,444,563 | 163.40 | - |
| 2034 | 17,973,869 | - | 17,973,869 | 7,422,438 | - | - | 7,422,438 | 242.16 | - |
| 2035 | 13,161,961 | - | 13,161,961 | 5,748,700 | - | - | 5,748,700 | 228.96 | - |
| 2036 | 11,705,292 | - | 11,705,292 | 4,922,188 | - | - | 4,922,188 | 237.81 | - |
| 2037 | 10,039,096 | - | 10,039,096 | 4,090,275 | - | - | 4,090,275 | 245.44 | - |
| 2038 | 8,527,447 | - | 8,527,447 | 4,098,188 | - | - | 4,098,188 | 208.08 | - |
| 2039 | 8,269,242 | - | 8,269,242 | 4,094,000 | - | - | 4,094,000 | 201.98 | - |
| 2040 | 7,936,582 | - | 7,936,582 | 3,838,238 | - | - | 3,838,238 | 206.78 | - |
| 2041 | 7,424,644 | - | 7,424,644 | 3,301,113 | - | - | 3,301,113 | 224.91 | - |
| 2042 | 5,294,378 | - | 5,294,378 | 2,430,738 | - | - | 2,430,738 | 217.81 | - |
| 2043 | 4,211,424 | - | 4,211,424 | 1,964,063 | - | - | 1,964,063 | 214.42 | - |
| 2044 | 863,663 | - | 863,663 | - | - | - | - | - | - |
| 2045 | 38,887 | - | 38,887 | - | - | - | - | - | - |
| Total | \$1,209,230,124 | \$80,645,244 | \$1,289,875,368 | \$850,327,653 | \$77,792,621 | \$193,565,147 | \$734,555,128 | | |

¹ Consists of projected repayments of principal of and interest on all Pledged Loans and assumes that all repayments are made timely in the full amount due.

² Consists of expected earnings to be derived from the investment of the Loan Funds, Revenue Funds and Reserve Funds established for the Series 2014A and Series 2013B Master Trust Bonds (collectively, the "Reserve Fund Bonds"). See "PROGRAM INVESTMENTS" herein. The Bond Indentures authorizing and securing the other Outstanding Master Trust Bonds do not establish a Reserve Fund Requirement or a Reserve Account for such Bonds.

³ Annual debt service requirements on the Outstanding Master Trust Bonds, including the Series 2004 Bonds. See "MASTER TRUST BONDS" herein.

⁴ Debt service coverage does not include annual Debt Service Reserve Fund de-allocation in years 2014-2027.

⁵ The Bond Indentures authorizing and securing the Outstanding Master Trust Bonds, other than the Reserve Fund Bonds, do not establish a Reserve Fund Requirement or a Reserve Account for such Bonds. The Reserve Fund Requirement for the Reserve Fund Bonds is zero. The Reserve Fund for the Series 2013B Bonds initially was established in the amount of \$29,981,759, representing the transfer of funds from the Investment Agreement for the Series 2003 Bonds refunded with proceeds of the Series 2013B Bonds that was terminated upon the delivery of the Series 2013B Bonds. The Reserve Fund for the Series 2014A Bonds initially will be established in the amount of \$34,628,536.03 representing the transfer of a portion of funds from the Investment Agreement for the Series 2004 Refunded Bonds that will be terminated upon the delivery of the Series 2014A Bonds. The Reserve Fund Balances column reflects the intended transfers from the Reserve Funds for the Reserve Fund Bonds to the Revenue Funds for the Reserve Fund Bonds.

MASTER TRUST BONDS

Previous Issuance of Outstanding Master Trust Bonds

The following table describes the Board’s Outstanding Master Trust Bonds, all of which were issued as fixed-rate bonds under the Master Trust Agreement and separate bond indentures to finance or refinance projects eligible for financial assistance from the CWSRF and/or DWSRF Programs:

| <u>Series</u> | <u>Dated Date</u> | <u>Program</u> | <u>April 1</u> <u>Scheduled Maturities</u> | <u>Original</u> <u>Principal</u> <u>Amount</u> | <u>Principal</u> <u>Amount</u> <u>Outstanding</u> <u>Jan. 31, 2014</u> |
|---------------|-------------------|----------------|---|--|---|
| 2004† | 10/26/2004 | CWSRF/DWSRF | 2006-2027 | \$204,480,000 | \$145,985,000 |
| 2010 | 01/13/2010 | DWSRF | 2012-2032 | 94,460,000 | 89,555,000 |
| 2011A | 04/13/2011 | CWSRF | 2012-2031 | 85,000,000 | 76,275,000 |
| 2011B | 04/13/2011 | DWSRF | 2012-2031 | 57,910,000 | 56,680,000 |
| | | | 2036, 2039, 2042 | | |
| 2012A | 06/12/2012 | DWSRF | 2013-2034 | 49,395,000 | 49,240,000 |
| | | | 2036, 2042 | | |
| 2012B | 11/07/2012 | CWSRF | 2014-2033 | 86,505,000 | 86,505,000 |
| 2013A | 09/19/2013 | DWSRF | 2015-2034, 2043 | 41,410,000 | 41,410,000 |
| 2013B | 09/19/2013 | DWSRF | 2014-2025 | <u>35,505,000</u> | <u>35,505,000</u> |
| | | | | <u>\$654,665,000</u> | <u>\$581,155,000</u> |

†Expected to be redeemed on April 1, 2014, with proceeds of the Board’s Series 2014A Bonds and other available funds. See “PLAN OF REFUNDING” herein.

Each Series of the Outstanding Master Trust Bonds is secured by Revenues received by the Bond Trustee from Loans pledged to secure each such Series under the bond indenture pursuant to which such Series was issued. Each Series of the Outstanding Master Trust Bonds also is secured under the Master Trust Agreement. Revenues received by the Bond Trustee in excess of the amounts required to make payments of principal of and interest on each such Series, including Revenues from Loans pledged to secure such Series and interest earnings on investments will be transferred to the Master Trustee under the Master Trust Agreement. Such amounts, if any, may be available from time to time as additional security for each Series of the Outstanding Master Trust Bonds. See “THE MASTER TRUST AGREEMENT; CROSS-COLLATERALIZATION” herein.

Planned Issuance of Additional Bonds

While no specific authorizations have been granted, the Board may authorize the issuance of additional Revolving Fund Revenue Bonds to provide additional funds for the Clean Water State Revolving Fund Loan Program and/or Drinking Water State Revolving Fund Loan Program during 2014.

THE MASTER TRUST AGREEMENT; CROSS-COLLATERALIZATION

General. The Series 2014A Bonds will be secured by the Master Trust Agreement, together with the Outstanding Master Trust Bonds. The Board may issue additional bonds in the future that also may be secured thereunder. The Series 2014A Bonds, the Outstanding Master Trust Bonds and any such additional bonds are herein referred to as the “Master Trust Bonds.”

The Master Trust Agreement establishes a Deficiency Fund consisting of a Clean Water Account (and within such Account, a Restricted Subaccount and an Unrestricted Subaccount), and a Drinking

Water Account (and within such Account, a Restricted Subaccount and an Unrestricted Subaccount). By a Supplemental Trust Agreement, Series Certificate or other Officer's Certificate, the Board may establish one or more additional funds, accounts or subaccounts under the Master Trust Agreement. All other funds, accounts and subaccounts established by the Board which are unrelated to the Deficiency Fund will be held by the Master Trustee for the benefit of the Board. The Supplemental Trust Agreement, Series Certificate or other Officer's Certificate establishing any other fund, account or subaccount will set forth the extent, if any, to which such fund, account or subaccount will be available for and pledged and assigned for the payment of Master Trust Bonds, and will state to which fund, account or subaccount investment earnings, if any, shall be deposited.

Except as otherwise described herein, the Deficiency Fund will be held by the Master Trustee for the benefit of the owners of the Master Trust Bonds. As security for payment of each Series of Master Trust Bonds, the Board will pledge and assign the Deficiency Fund and all amounts from time to time on deposit therein and available for the payment of each Series of Master Trust Bonds, in the manner and to the extent described below and in the applicable Bond Indenture, to the Master Trustee. The Clean Water Account of the Deficiency Fund will be deemed to be within the CWSRF Program for purposes of compliance with the Federal Clean Water Act and the CWSRF Program. The Drinking Water Account of the Deficiency Fund will be deemed to be within the DWSRF Program for purposes of compliance with the Federal Drinking Water Act and the DWSRF Program.

Deposits to the Deficiency Fund. The Master Trustee will promptly deposit in the appropriate subaccount of the Clean Water Account of the Deficiency Fund all moneys released by a Bond Indenture Trustee with respect to a Series of Master Trust Bonds (or portion thereof) issued for the CWSRF Program. Any other moneys will be transferred to the Clean Water Account of the Deficiency Fund and will be applied as directed in an Officer's Certificate.

The Master Trustee will promptly deposit in the appropriate subaccount of the Drinking Water Account of the Deficiency Fund all moneys released by a Bond Indenture Trustee with respect to a Series of Master Trust Bonds (or a portion thereof) issued for the DWSRF Program. Any other moneys transferred to the Drinking Water Account of the Deficiency Fund will be applied as directed in an Officer's Certificate.

Amounts received by the Master Trustee as interest payments on Loans or from an interest Subaccount established by a Bond Indenture will be deposited in the applicable Interest Subaccount. All other amounts received by the Master Trustee will be deposited in the applicable Principal Subaccount.

Cross-Collateralization Withdrawals from the Deficiency Fund.

Clean Water Account. On each payment date with respect to a Series of Master Trust Bonds, the Master Trustee will take the following actions pertaining to the Clean Water Account of the Deficiency Fund in the following order of priority, subject to the limitations described below under "Limitations on Transfers":

- (i) the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount (provided that only amounts in the Interest Subaccount may be transferred to a State Match Bond Subaccount) established for a Series of Master Trust Bonds (or portion thereof) issued for the CWSRF Program, the amount certified by such Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Master Trust Bonds (or portion thereof);

(ii) after making any transfers described in the Section above and below under “Drinking Water Account,” the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount (provided that such amounts may only be transferred to a Leveraged Bond Subaccount) established for a Series of Master Trust Bonds (or portion thereof) issued for the DWSRF Program, the amount certified by such Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Master Trust Bonds (or portion thereof);

(iii) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Master Trust Bonds (or portion thereof) issued for the CWSRF Program. The bond indentures under which the Series 2011A Bonds and the Series 2012B Bonds are issued do not establish a Reserve Fund Requirement or a Reserve Account for the related Outstanding Master Trust Bonds;

(iv) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Master Trust Bonds (or portion thereof) issued for the DWSRF Program. The bond indentures under which the Series 2010 Bonds, the Series 2011B Bonds, the Series 2012A Bonds and the Series 2013A Bonds are issued do not establish a Reserve Fund Requirement or a Reserve Account for the related Outstanding Master Trust Bonds;

(v) the Master Trustee will transfer and replenish to the Drinking Water Account of the Deficiency Fund any amounts previously advanced from said Drinking Water Account for the benefit of a Series of Master Trust Bonds (or portion thereof) issued for the CWSRF Program; and

(vi) the Master Trustee will withdraw all remaining moneys, and transfer such moneys to the State Treasurer for deposit in the Water Resources Fund.

Drinking Water Account. On each payment date with respect to a Series of Master Trust Bonds, the Master Trustee will take the following actions pertaining to the Drinking Water Account of the Deficiency Fund in the following order of priority, subject to the limitations described below under “Limitations on Transfers”:

(i) the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount (provided that only amounts in the Interest Subaccount may be transferred to a State Match Bond Subaccount) established for a Series of Master Trust Bonds (or portion thereof) issued for the DWSRF Program, the amount certified by such Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Master Trust Bonds (or portion thereof);

(ii) after making any transfers described in the Section above and under “Clean Water Account,” the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount (provided that such amounts may only be transferred to a Leveraged Bond Subaccount) established for a Series of Master Trust Bonds (or portion thereof) issued for the CWSRF Program, the amount certified by such

Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Master Trust Bonds (or portion thereof);

(iii) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Master Trust Bonds (or portion thereof) issued for the DWSRF Program. The bond indentures under which the Series 2010 Bonds, the Series 2011B Bonds, the Series 2012A Bonds and the Series 2013A Bonds are issued do not establish a Reserve Fund Requirement or a Reserve Account for the related Outstanding Master Trust Bonds;

(iv) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Master Trust Bonds (or portion thereof) issued for the CWSRF Program. The bond indentures under which the Series 2011A Bonds and the Series 2012B Bonds are issued do not establish a Reserve Fund Requirement or a Reserve Account for the related Outstanding Master Trust Bonds;

(v) the Master Trustee will transfer and replenish to the Clean Water Account of the Deficiency Fund any amounts previously advanced from said Clean Water Account for the benefit of a Series of Master Trust Bonds (or portion thereof) issued for the DWSRF Program; and

(vi) the Master Trustee will withdraw all remaining moneys, and transfer such moneys to the State Treasurer for deposit in the Water Resources Fund.

Limitations on Transfer. Subject to the order of priority described in the Sections above under “Clean Water Account” and “Drinking Water Account,” the Master Trustee is permitted to make the following transfers to a Bond Indenture Trustee, to the extent funds are available: (i) transfers from either Restricted Subaccount of a Deficiency Fund may be made to any Bond Indenture debt service fund subaccount or Bond Indenture reserve fund subaccount existing for payment and/or security of Leveraged Bonds; (ii) transfers from either Unrestricted Subaccount of a Deficiency Fund may be made to any Bond Indenture debt service fund subaccount or Bond Indenture reserve fund subaccount existing for payment and/or security of State Match Bonds; (iii) transfers from either Unrestricted Subaccount of a Deficiency Fund may be made to any Bond Indenture debt service fund subaccount or Bond Indenture reserve fund subaccount existing for payment and/or security of Leveraged Bonds only if no funds remain within the corresponding Restricted Subaccount of a Deficiency Fund.

If, for either the CWSRF Program or the DWSRF Program, as of any date specified in the Master Trust Agreement, more than one Bond Indenture Trustee has certified to the Master Trustee that there are insufficient moneys on hand to pay the debt service on the applicable Series of Master Trust Bonds, then the Master Trustee will transfer moneys to the Bond Indenture Trustees with respect to the Series of Bonds which are designated in the applicable Officer’s Certificate (and, if there are insufficient moneys on deposit in the Deficiency Fund to satisfy such requests, among such Bonds *pro rata* based on the amount of the respective deficiencies).

The Master Trust Agreement permits cross-collateralization (using the receipts from the CWSRF to secure Master Trust Bonds issued for the DWSRF Program and using the receipts from the DWSRF to secure Master Trust Bonds issued for the CWSRF Program); *provided that* the Master Trustee will not make any transfers from the Clean Water Account of the Deficiency Fund to pay the debt service on any Series of Master Trust Bonds issued for or any reserve account with respect to the DWSRF Program,

unless no moneys are on deposit in the Drinking Water Account of the Deficiency Fund, and will not make any transfers from the Drinking Water Account of the Deficiency Fund to pay the debt service on any Series of Master Trust Bonds issued for or any reserve account with respect to the CWSRF Program, unless no moneys are on deposit in the Clean Water Account of the Deficiency Fund. Furthermore, to the extent such transfers are prohibited under the Clean Water Program and the Drinking Water Program, the Master Trustee will not make any transfers from the Clean Water Account of the Deficiency Fund to pay the debt service on or to replenish any reserve account with respect to State Match Bonds issued for the Drinking Water Program, and will not make any transfers from the Drinking Water Account of the Deficiency Fund to pay the debt service on or to replenish any reserve account with respect to State Match Bonds issued for the Clean Water Program.

No Investment. Moneys on deposit in the Deficiency Fund will not be invested.

PROGRAM INVESTMENTS

The 2014A Bond Indenture permits investment of funds in investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency. The Board does not anticipate entering into an investment agreement for the investment of moneys deposited in the 2014A Reserve Fund or in the 2014A Revenue Fund as of the date of delivery of the Series 2014A Bonds, but reserves the right to do so at any time thereafter, and anticipates investing such moneys in Investment Securities as permitted under the 2014A Bond Indenture. Moneys deposited in the Cost of Issuance Fund established under the 2014A Bond Indenture and moneys deposited in the Deficiency Fund held under the Master Trust Agreement will not be invested under any such investment agreement.

In addition, in connection with the issuance of the Series 2004 Refunded Bonds described under “MASTER TRUST BONDS” herein, the bond trustee for the Series 2004 Master Trust Bonds invested moneys deposited in the Loan Fund, the Revenue Fund and the Reserve Fund established with respect thereto under an investment agreement. Upon the issuance of the Series 2014A Bonds, the investment agreement relating to the Series 2004 Refunded Bonds will be terminated and a portion of the balance remaining after the termination thereof will be deposited to the credit of the 2014A Reserve Fund. The Board has not entered into an investment agreement for the investment of moneys deposited in the Funds established with respect to the other Series of Master Trust Bonds, but has reserved the right to do so at any time in the future.

THE BOARD

Authority for and Powers of the Board

The Oklahoma Water Resources Board was established by legislative action in 1957 as a body corporate and politic and an instrumentality, agency and department of the State. Authority for the existence and powers of the Board are found at Title 82, Oklahoma Statutes 2011, Section 1085.1 *et seq.*, as amended.

The Board is authorized to provide or assist political subdivisions and municipal corporations of the State, including counties, cities and towns, rural water and sewer districts, irrigation districts, and public trusts in the acquisition, development and utilization of storage and control facilities for the waters and sewage of such governmental entities for the use and benefit of the public and for the distribution of water for beneficial purposes in or from reservoirs or other storage facilities for the general welfare and the future economic growth of the State. Specifically, the Board is empowered to provide funds to Eligible Entities to assist in the development of facilities for the treatment and distribution of water from

storage or filtration and treatment plants to wholesale or retail purchasers, and any system necessary to improve or develop sewage treatment, collection or distribution capabilities or to refinance existing indebtedness originally incurred for such purpose. The Board is authorized to issue its obligations, the proceeds of which may be loaned to Eligible Entities to finance the costs of such projects.

The Board is funded by appropriations annually from the Oklahoma Legislature and other sources. The Fiscal Year 2014 operating budget for the Board is \$18,214,654. The Board’s offices are located at 3800 North Classen Blvd., Oklahoma City, Oklahoma 73118 and its telephone number is (405) 530-8800. For further information see www.owrb.ok.gov.

Organization and Membership of the Board

The Board is composed of nine members appointed by the Governor of the State for terms of seven years each, with the advice and consent of the Senate. One member is appointed from each of the five congressional districts of the State and four members are appointed at large. At all times, at least one member of the Board shall be well versed in each of the following types of water use: recreational, industrial, irrigation, municipal, rural residential, agricultural and soil conservation. Not more than two members may be appointed representing any one of the major types of water use. The Board is authorized to appoint an Executive Director who shall have had at least six years practical and administrative experience in water resources management and to delegate to such Executive Director such powers and duties that it may deem proper, with the exception of the powers of determining policy or the execution of contracts or adjudication of claims, applications or controversies, all of which powers and duties shall be exercised solely by the Board.

Members of the Board

The members of the Board are as follows:

| MEMBERS | TERM EXPIRES | OCCUPATION |
|------------------------------|---------------------|--|
| Rudolf J. Herrmann, Chairman | May, 2014 | Businessman |
| Tom Buchanan, Vice Chairman | May, 2018 | Agri-businessman |
| Linda P. Lambert, Secretary | May, 2018 | Businesswoman |
| Bob Drake | May, 2014 | Agri-businessman |
| F. Ford Drummond | May, 2013† | Attorney/Businessman |
| Marilyn Feaver | May, 2017 | Ex. Dir., Southern Oklahoma Impact Coalition |
| Ed Fite | May, 2015 | Ex. Dir., Oklahoma Scenic Rivers Comm. |
| Jason W. Hitch | May, 2019 | Agri-businessman |
| Richard Sevenoaks | May, 2016 | Businessman |

†In accordance with the provisions of Oklahoma law, Mr. Drummond will continue to serve as a Member of the Board until a successor has been appointed.

Executive Administrative Staff of the Board

J.D. Strong, Executive Director: Mr. Strong was selected as the Executive Director by the Board on October 12, 2010, after having served as Interim Director since February 2010. Mr. Strong was appointed by Governor Henry in 2008 to serve as the Secretary of Environment. In this position, he coordinated the activities of the State’s Environmental Cabinet, including the Oklahoma Department of Environmental Quality, the Oklahoma Water Resources Board and the Oklahoma Department of Wildlife Conservation. Mr. Strong is a 1993 graduate of Oklahoma State University with a B.S. in Wildlife

Ecology. He worked as an environmental scientist for the Oklahoma Water Resources Board for several years before joining the office of the Secretary of Environment.

Joe S. Freeman, Chief, Financial Assistance Division: Mr. Freeman is a 1981 graduate of Oklahoma State University with a B.S. in Finance and Economics. He received a Master of Business Administration Degree with a Management concentration in 1982 from Central State University. Previous positions include Assistant Controller and Financial Planning Officer for the First National Bank and Trust Company, Ponca City, Oklahoma, 1982 to 1985; Account Executive, Dean Witter Reynolds, Inc., 1985 to 1986; Vice President, Exchange National Bank, Del City, Oklahoma, 1986 to 1990; Financial Analyst, Oklahoma Water Resources Board, 1990 to 1991; Financial Analyst Supervisor, 1991 to 1993; and 1993 to present serves as Chief, Financial Assistance Division.

Jerry Barnett, General Counsel: Mr. Barnett is a 1982 graduate of Oklahoma Baptist University with a B.A. in Religion. He received a Juris Doctorate in Law in 1985 from the University of Oklahoma College of Law. He served as a Staff Attorney for Oklahoma Water Resources Board, 1985 to 1987, and 1989-2013. He became Acting General Counsel, Oklahoma Water Resources Board, in January 2013 and became General Counsel on July 1, 2013.

Kate Burum, Assistant General Counsel and Funds Manager: Ms. Burum earned her Bachelors of Business Administration from the University of Oklahoma, a Post Graduate Certificate in International Business from Flinders University, Adelaide, Australia, and her juris doctorate from the University of Oklahoma College Of Law. Ms. Burum is a member of the Oklahoma Bar Association and National Association of Bond Lawyers.

Summary of Activities and Programs of the Board

In addition to its CWSRF Program, DWSRF Program and Financial Assistance Program activities regarding the issuance of bonds and the making of loans to Borrowers from the proceeds thereof (described in "PROGRAMS OF THE BOARD" herein), the Board administers Oklahoma law regarding (a) the rights to the use of stream water and groundwater, (b) licensing of commercial water well drillers and pump installers, (c) safety of dams, (d) interstate stream compacts, (e) management of development in floodplain areas, (f) promulgation of state water quality standards, and (g) development and updating of the Oklahoma Comprehensive Water Plan. The Board also administers a grant program for funding grants to eligible public entities for emergency water and wastewater projects, and the Rural Economic Action Plan Grant Program.

These and other related programs are administered by a staff of approximately 90 full-time equivalent employees organized into a Financial Assistance Division, Planning and Management Division, Water Quality Programs Division and Administrative Services Division. The Board's executive staff consists of its Executive Administration (Executive Director, Assistant to the Director, Executive Secretary) and Office of General Counsel (General Counsel and Assistant General Counsel).

PROGRAMS OF THE BOARD

In 1975, the Oklahoma Legislature began developing the legislation to establish a comprehensive statewide vehicle for financing water and sewer system improvements. Since the funding requirements of the various Borrowers were growing as a result of federally mandated improvements and population growth and deteriorating systems required expansion and/or replacement of a number of water and sewer facilities, the Oklahoma Legislature in 1979 passed the pertinent statutes authorizing and establishing the Board as an additional funding source for the Borrowers. The people of the State and the State Legislature evidenced their desire to provide financial assistance to the State and to political subdivisions,

agencies and other designated governmental entities thereof with the approval, by statewide referendum held on the 28th day of August, 1984, of State Question No. 581 and the adoption pursuant thereto of Section 39, Article X of the Oklahoma Constitution.

The CWSRF Program

The Board is responsible for administering the CWSRF Program. For information relating to the CWSRF Program see “STATE REVOLVING FUND PROGRAMS” herein.

The DWSRF Program

The Board and DEQ jointly administer the DWSRF Program. For information relating to the DWSRF Program see “STATE REVOLVING FUND PROGRAMS” herein.

Financial Assistance Program

In addition to the loans made pursuant to the CWSRF Program and the DWSRF Program, the Board also provides loans to Borrowers through a different program known as the “Financial Assistance Program.” Projects which are eligible to be financed through the Financial Assistance Program include water and sewage system improvements to conserve and develop surface and subsurface water resources or to control and develop sewage treatment facilities such as the construction of dams, reservoirs and other water storage projects including underground storage projects, filtration and water treatment plants, water distribution facilities, and any system necessary to improve or develop sewage treatment, collection or distribution capabilities. Borrowers may also obtain loans through the FAP to refinance indebtedness originally incurred for such projects.

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The following table sets forth details with respect to outstanding bonds issued by the Board under separate Resolutions for the purpose of providing funding for the Financial Assistance Program:

| <u>Issue</u> | <u>Issue Amount</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Outstanding Balance (January 31, 2014)</u> | | |
|--------------|----------------------|-------------------|-----------------------|---|----------------------|----------------------|
| | | | | <u>Fixed Rate</u> | <u>Floating Rate</u> | <u>Total</u> |
| Series 1989 | \$ 50,000,000 | 11/14/1989 | 09/01/2019 | \$ 135,000 | | \$ 135,000 |
| Series 1994A | 109,845,000 | 01/20/1994 | 09/01/2023 | 0 | \$ 3,370,000 | 3,370,000 |
| Series 1995 | 50,000,000 | 10/18/1995 | 09/01/2024 | 0 | 3,085,000 | 3,085,000 |
| Series 1997 | 50,000,000 | 07/02/1997 | 09/01/2026 | 0 | 400,000 | 400,000 |
| Series 1999 | 75,000,000 | 03/03/1989 | 09/01/2032 | 4,310,000 | 1,710,000 | 6,020,000 |
| Series 2001 | 110,000,000 | 09/18/2001 | 10/01/2034 | 2,005,000 | 6,165,000 | 8,170,000 |
| Series 2003A | 100,000,000 | 07/09/2003 | 10/01/2036 | 5,480,000 | 4,840,000 | 10,320,000 |
| Series 2004A | 12,630,000 | 05/12/2004 | 09/01/2023 | 3,620,000 | -- | 3,620,000 |
| Series 2006B | 52,585,000 | 07/12/2006 | 10/01/2025 | 37,875,000 | -- | 37,875,000 |
| Series 2007 | 10,215,000 | 03/13/2007 | 10/01/2036 | 7,870,000 | -- | 7,870,000 |
| Series 2009 | 2,825,000 | 11/24/2009 | 10/01/2031 | 2,400,000 | -- | 2,400,000 |
| Series 2010A | 30,035,000 | 06/16/2010 | 10/01/2030 | 26,625,000 | -- | 26,625,000 |
| Series 2010B | 27,955,000 | 11/03/2010 | 10/01/2035 | 25,700,000 | -- | 25,700,000 |
| Series 2011 | 14,275,000 | 06/23/2011 | 10/01/2031 | 13,270,000 | -- | 13,270,000 |
| Series 2012 | 30,595,000 | 01/19/2012 | 10/01/2040 | 30,485,000 | -- | 30,485,000 |
| Series 2012A | 33,445,000 | 03/28/2012 | 10/01/2032 | 30,005,000 | -- | 30,005,000 |
| Series 2012B | 8,750,000 | 07/02/2012 | 10/01/2035 | 8,670,000 | -- | 8,670,000 |
| Series 2012C | 9,625,000 | 08/29/2012 | 09/01/2042 | 8,415,000 | -- | 8,415,000 |
| Series 2013A | 43,290,000 | 04/24/2013 | 10/01/2038 | 42,245,000 | -- | 42,245,000 |
| Series 2013B | <u>5,460,000</u> | 07/18/2013 | 10/01/2033 | <u>5,385,000</u> | -- | <u>5,385,000</u> |
| | <u>\$826,530,000</u> | | | <u>\$254,495,000</u> | <u>\$19,570,000</u> | <u>\$274,065,000</u> |

Note: No Series 2006A Bonds were ever issued by the Board.

The holders of the Series 2014A Bonds will have no rights to the proceeds of any bonds or notes issued by the Board in connection with the Financial Assistance Program, to any of the assets acquired or established therewith, or to any property pledged as security for the payment of such bonds, including: (1) the principal of the reserve fund established for the Financial Assistance Program Outstanding Bonds; (2) any pledge of the local notes and the moneys received by the Board as Loan Payments as defined in the Loan Agreements and the assignment by the Board of its right under the Loan Agreements in regards to the Financial Assistance Program Outstanding Bonds; or (3) any funds or accounts established by the 1986 Bond Resolution, as amended and supplemented, authorizing the issuance of the Financial Assistance Program Outstanding Bonds, or that will be established in connection with any future issuance of the State Loan Program Revenue Bonds, and the moneys and investments therein, including any unexpended bond proceeds.

The Financial Assistance Program has complemented the CWSRF Program and the DWSRF Program by providing an additional funding option for Borrowers' projects. While all CWSRF and DWSRF eligible projects are also eligible for funding through the Financial Assistance Program, many other types of water and sewer related projects are eligible for funding through the Financial Assistance Program that are not eligible through the CWSRF or DWSRF. The Financial Assistance Program provides loans at the prevailing market interest rate; i.e., there is no interest rate subsidy for Financial Assistance Program Borrowers. Historically, most Borrowers with CWSRF or DWSRF eligible projects have instead applied for Financial Assistance Program funding only in circumstances where the

CWSRF/DWSRF program requirements made utilization of the CWSRF or DWSRF impractical or undesirable.

The State of Oklahoma Water Infrastructure Credit Enhancement Reserve Fund

Under provisions of a constitutional amendment authorized by the November 6, 2012, passage of State Question 764, codified at Article X, Section 39A of the Oklahoma Constitution, and a statute that became effective November 1, 2013, codified at Title 82 Oklahoma Statutes Section 1085.50, the Board is authorized to issue General Obligation Bonds referred to as Water Infrastructure Credit Enhancement Reserve Fund General Obligation Bonds (the “WICERF Bonds”) in an amount not to exceed \$300,000,000. WICERF Bonds can be issued by the Board in order to prevent a payment default on Financial Assistance Program revenue bonds of the Board after the depletion of other Program reserve funds.

It is the Board’s intent and desire that no issuance of WICERF Bonds will become necessary. The Board, however, has established written standard operating procedures for action in order to implement the WICERF should that ever become necessary. To date, the Board has never had any payment defaults on any Program bonds and there has never been a draw on any Program reserve funds and the Board has not been required to issue any WICERF Bonds.

WICERF Bonds are specifically exempted from other legislation (Enrolled H.B. 2195) enacted during the 2013 session of the Oklahoma Legislature that provided limits on the amount of certain kinds of bonds that can be issued by the State of Oklahoma. Enrolled H.B. 2195 became effective November 1, 2013, and is codified at 62 Oklahoma Statutes Section 34.200.

STATE REVOLVING FUND PROGRAMS

Federal Statutory Framework

Federal Clean Water State Revolving Fund Program. Title VI of the federal Clean Water Act, adopted in 1987, established a clean water (wastewater) state revolving fund (the federal “Clean Water State Revolving Fund”) program. Under this program, each state is required to establish a revolving fund administered by the state or an instrumentality of the state in order to accept federal Capitalization Grants for eligible publicly-owned water quality projects. In order to qualify for such federal Capitalization Grants, a state must pay into the revolving fund a matching amount (“State Match” or “State Matching Funds”) equal to at least 20% of the amount of such grants. The state water pollution control revolving funds are used to provide financial assistance to municipalities in connection with the construction, rehabilitation, expansion or improvement of publicly owned systems for the storage, treatment, recycling and reclamation of municipal sewage.

Federal Safe Drinking Water State Revolving Fund Program. In 1996, amendments to the federal Safe Drinking Water Act established a safe drinking water revolving fund (the federal “Safe Drinking Water State Revolving Fund”) program. Under this program, each state is required to establish a revolving fund administered by the state or an instrumentality of the state in order to accept federal Capitalization Grants for eligible drinking water projects. In order to qualify for such federal Capitalization Grants, a state must pay into the revolving fund State Matching Funds equal to at least 20% of the amount of such grants. State drinking water revolving fund loans serve to protect the public health and to achieve compliance with the federal Safe Drinking Water Act. The state drinking water revolving funds are used to provide financial assistance to publicly owned or privately owned water systems in connection with the planning, design, development, construction, repair, extension, improvement,

remodeling, alteration, rehabilitation, reconstruction or acquisition of all or a portion of a public water system.

State Establishment of CWSRF Program and DWSRF Program

CWSRF Program. Following enactment of the laws creating the federal Clean Water State Revolving Fund Program, legislation was adopted in the State establishing a complying program within the State. State law (now codified at Title 82, Oklahoma Statutes 2011, Section 1085.51 *et seq.*, as amended), established the CWSRF Account (“CWSRF”) within the State’s Water Resources Fund to implement Title VI of the federal Clean Water Act. This legislation designates the Board as the state instrumentality to apply for and administer federal Clean Water State Revolving Fund Capitalization Grants that are available through the federal Clean Water Act. Projects which are eligible to be financed through the CWSRF Program are generally limited to wastewater system improvements and refinancing debt incurred for qualified wastewater system improvements.

The CWSRF is permanent and perpetual and not subject to fiscal year limitations. The Board has been designated as the entity to make application to the EPA for Capitalization Grants to be placed in the CWSRF. The Board has entered into an Operating Agreement with the EPA relating to the implementation of the CWSRF program and has overall responsibility for all financial and technical administration of the CWSRF Program and providing financial assistance to Eligible Entities for eligible projects.

As of February 1, 2014, the Board has approved 275 CWSRF loans in the aggregate principal amount of \$1,225,495,109.35 and funded 264 loans in the aggregate principal amount of \$1,127,681,328.69. As of January 31, 2014, there were 126 CWSRF loans outstanding with an aggregate principal balance of \$346,523,467. See Appendix I for a list of outstanding CWSRF pledged loans as of January 31, 2014. See Appendix H for a summary of the historical funding sources for the CWSRF Program. See Appendix J for the most recently available audited financial statements for the CWSRF Program.

Through and including fiscal year 2014 to date, the Board has made available from proceeds of Capitalization Grants and State Match \$361,931,870.17 in CWSRF Program revolving funds to Eligible Entities for wastewater infrastructure improvements. Historically, CWSRF Program funds have been loaned by the Board to Borrowers at interest rates approximately equal to 60% of comparable market rates obtained by the Board.

DWSRF Program. Following enactment of the laws creating the federal Safe Drinking Water State Revolving Fund program, legislation was adopted in the State establishing a complying program within the State. State law (now codified at Title 82, Oklahoma Statutes 2011, Section 1085.71 *et seq.*, as amended), established the Drinking Water Treatment Revolving Loan Account (“DWTRLA” or “DWSRF”) within the State’s Water Resources Fund to implement the 1996 amendments to the federal Safe Drinking Water Act. This legislation designates the duties of the Board and the DEQ with respect to this program. Each year, the Board and the DEQ enter into an Inter-Agency Agreement setting forth the duties and roles of each agency with respect to the program. See “STATE REVOLVING FUND PROGRAMS—Inter-Agency Agreement” below. Projects which are eligible to be financed through the DWSRF Program are generally limited to drinking water system improvements and refinancing debt incurred for qualified drinking water system improvements.

The DWSRF is permanent and perpetual and is not subject to fiscal year limitations. Unlike the CWSRF Program which is administered exclusively by the Board, the DWSRF Program is jointly administered by the Board and DEQ.

As of February 1, 2014, the Board has approved 163 DWSRF loans in the aggregate principal amount of \$867,703,300.02 and funded 159 loans in the aggregate principal amount of \$815,845,922.40. As of January 31, 2014, there were 129 DWSRF loans outstanding with an aggregate principal balance of \$431,069,156. See Appendix I for a list of outstanding DWSRF pledged loans as of January 31, 2014. See Appendix H for a summary of the historical funding sources for the DWSRF Program. See Appendix J for the most recently available audited financial statements for the DWSRF Program.

Through and including fiscal year 2014 to date, DEQ and the Board have made available from proceeds of Capitalization Grants and State Match \$288,730,213.00 in DWSRF Program revolving funds to Eligible Entities for drinking water infrastructure improvements. Historically, DWSRF Program funds were loaned by the Board to Borrowers at rates approximately equal to 60% of comparable market rates obtained by the Board; beginning October 29, 2003 (coinciding with the issuance of the Series 2003 Bonds), DWSRF Program funds have been loaned by the Board to Borrowers at rates approximately equal to 70% of the applicable bond interest rate.

Eligible Borrowers Under CWSRF Program and DWSRF Program

Under both the CWSRF Program and the DWSRF Program, Loans may be made only to Eligible Entities. Eligible Entity is defined under the Act as any city, town, county or the State, and any rural water or sewer district, public trust, master conservancy district, any other political subdivision or any combination thereof. The Act does not include private companies or non-profit corporations as Eligible Entities.

Local Loans made through the CWSRF Program and the DWSRF Program

To qualify under the CWSRF Program and/or the DWSRF Program, an Eligible Entity (the “Borrower”) must enter into a Loan Agreement with the Board. See Appendix D hereto for a summary of certain provisions of a standard form of Loan Agreement. Each Borrower must enact an ordinance or resolution (the “Local Act”) wherein such Borrower approves the execution of its obligation evidencing the loan which provides for loan repayments (the “Loan Repayments”) and contains covenants acceptable to the Board. Each loan must be secured at least by the revenues derived from the operation and existence of the sewer system or drinking water system (such sewer system or drinking water system, together with any other utility system pledged by the Borrower, is hereinafter referred to as the “System”) of the Borrower. Each loan may also be secured by other utility system revenues, which may include gas, electric, garbage, or other utility revenue, and any other revenue source, which may include sales tax revenue, pledged to the payment of the loan and accepted by the Board. See “SECURITY AND PAYMENT FOR THE SERIES 2014A BONDS.”

Board Powers and Administration of the CWSRF Program

The Board, under the Act, has the power and duty to administer the CWSRF Program. The Board is responsible for: (i) preparing and maintaining the priority list for eligible projects; (ii) reviewing and assessing all planning documents and the cost effectiveness of a project on the priority list; (iii) determining project feasibility and whether an entity is eligible to receive CWSRF moneys; (iv) performing any required environmental review and making any required environmental determinations in accordance with EPA approved procedures; (v) providing oversight and technical assistance during the planning, design and construction phase of a project; and (vi) applying for and receiving Capitalization Grants and entering into a capitalization grant agreement with EPA.

In determining the cost effectiveness of a project, the Board requires the preparation of a cost effective analysis of feasible alternatives capable of meeting State and federal effluent and water quality

standards and public health requirements while recognizing environmental and other non-monetary considerations determined to be relevant by the Board.

In order to administer the CWSRF Program, the Board may use moneys from the Capitalization Grant provided the amount does not exceed 4% of all EPA grant awards received by the CWSRF. Additional moneys available for CWSRF Program administration are maintained in the Administrative Fee Subaccount and the CWSRF Loan Administrative Fund held outside the CWSRF pursuant to Title 82, Oklahoma Statutes 2011, Section 1085.64, including (i) Loan application fees, (ii) program income from Administrative Fee Payments in each Loan Agreement, and (iii) interest earnings from investment made by the Office of the State Treasurer in accordance with applicable State law.

DEQ Powers and Administration of the DWSRF Program

DEQ, under the Act, has the power and duty to administer the DWSRF Program. DEQ is responsible for: (i) preparing and maintaining the priority list for eligible projects; (ii) reviewing and assessing all planning documents and the cost effectiveness of a project on the priority list; (iii) determining project feasibility and whether an entity is eligible to receive DWSRF moneys; (iv) determining which projects are referred to the Board for loans; (v) performing any required environmental review and making any required environmental determinations in accordance with EPA approved procedures; (vi) providing oversight and technical assistance during the planning, design, and construction phase of a project; (vii) applying for and receiving Capitalization Grants and entering into a capitalization grant agreement with EPA; and (viii) assessing the technical capability of an applicant to ensure compliance with the federal Safe Drinking Water Act over the long term.

In determining the cost effectiveness of a project, DEQ requires the preparation of a cost effective analysis of feasible drinking water treatment or conveyance alternatives capable of meeting State and federal drinking water standards and public health requirements while recognizing environmental and other non monetary considerations determined to be relevant by DEQ. For further information relating to DEQ see “OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY” herein.

Inter-Agency Agreement

Each year the Board and DEQ enter into an Inter-Agency Agreement relating to the administration of the DWSRF Program. The Inter-Agency Agreement reaffirms the respective powers and duties of the Board and DEQ under the Act, and sets forth the parties’ respective obligations and responsibilities in implementing the DWSRF Program. The current Inter-Agency Agreement has a term ending June 30, 2014.

Under the Inter-Agency Agreement, DEQ has the responsibility to make application for and enter into and be the recipient of the Capitalization Grants for the DWSRF Program from EPA, is required to prepare an Intended Use Plan with the cooperation of the Board, and must submit an Operating Agreement (prepared jointly by the Board and DEQ) to the EPA. The Intended Use Plan and Operating Agreement are requirements of the EPA Capitalization Grant for the DWSRF Program. The Board has the responsibility for reviewing preliminary loan applications for applicant’s financial, legal and managerial capabilities to ensure repayment of a Loan. DEQ reviews each project applicant for technical capabilities to ensure operation and management of the project. DEQ generally reviews priority ranking request, and compliance with applicable federal and state requirements, including project design. Loans made from funds of the DWSRF Program require the approval of DEQ.

Upon DEQ and Board approval, DEQ issues a binding commitment letter of funds for the proposed project. Within one year of the approval, unless extended, the Borrower must execute a

construction contract and close on the Loan. After the Loan closing, DEQ has the authority to grant final approval for the disbursement of Loan proceeds. Requests for the DWSRF disbursements and any budget revisions, are submitted to DEQ by the Borrowers based on actual project costs incurred. In the event funds furnished to a Borrower are not utilized for the approved project, the Borrower is required to return the funds plus the market rate of interest on the unused amount, to the Board for deposit in the DWSRF.

In order to administer the DWSRF Program, the Board and DEQ may use moneys from the Capitalization Grant provided the amount does not exceed 4% of all EPA grant awards received by the DWSRF. Additional moneys available for DWSRF Program administration are maintained in the Administrative Fee Subaccount and the DWSRF Loan Administrative Fund held outside the DWSRF pursuant to Title 82, Oklahoma Statutes 2011, Section 1085.84A, including (i) Loan application fees, (ii) program income from Administrative Fee Payments in each Loan Agreement, and (iii) interest earnings from investment made by the Office of the State Treasurer in accordance with applicable State law.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY

The Oklahoma Department of Environmental Quality was established by legislative action in 1993 as a state environmental agency. Authority for the existence and powers of DEQ are found in Title 27A, Oklahoma Statutes 2011, Section 1-1-101 *et seq.* and Section 2-3-101 *et seq.*, as amended.

DEQ's mission is to provide environmental protection and management programs which assist the citizens of the State in sustaining a clean, sound environment and in preserving and enhancing the State's natural surroundings.

DEQ responsibilities include pollution (including point source pollution), solid waste, hazardous materials, Superfund, water quality, hazardous waste, radioactive waste, air quality, drinking water supplies, wastewater treatment and any other program authorized by law or executive order. Within DEQ are established the following: (i) an air quality program which is responsible for air quality; (ii) water programs which are responsible for water quality, including, but not limited to point source and non-point source pollution within the jurisdiction of DEQ, public and private water supplies, public and private wastewater treatment, water protection and discharges to water of the State; (iii) waste management programs which are responsible for hazardous waste, solid waste, radiation, and municipal, industrial, commercial and other waste; and (iv) special projects and services programs which are responsible for duties related to planning, interagency coordination, technical assistance programs, laboratory services and laboratory certification, recycling, education and dissemination of information.

Among the programs for which DEQ is responsible is the DWSRF Program, which DEQ administers in cooperation with the Board. See "STATE REVOLVING FUND PROGRAMS-DEQ Powers and Administration of the DWSRF Program" and "—Inter-Agency Agreement" contained herein.

The Department of Environmental Quality Environmental Quality Board ("EQB") consists of 13 members who serve as DEQ's rulemaking authority. The Governor of the State, with Senate confirmation, appoints each member to represent legislatively prescribed categories of DEQ customers. EQB members serve a five year term. The responsibilities of EQB include the appointment of DEQ's Executive Director and the adoption of rules that determine the operation of DEQ. EQB reviews and considers rule proposals recommended by each of the eight advisory councils that comprise DEQ. Each advisory council is comprised of nine individuals. Before taking action on any rule proposal, the councils offer the opportunity for written and oral comments by individuals and entities affected by or interested in the rule. Rules adopted by EQB must be affirmatively approved by the Governor, and not disapproved by the Legislature, before becoming effective.

DEQ is funded by appropriations annually from the State Legislature and other resources. DEQ's offices are located at 707 North Robinson, Oklahoma City, Oklahoma, and its telephone number is (405) 702-1000. For further information see www.deq.state.ok.us.

INVESTMENT CONSIDERATIONS

Local Law Limitations

If a Borrower decides to construct additional facilities, any difficulties which such Borrower may encounter in completing, acquiring or operating such additional facilities may negatively impact the Borrower's ability to satisfy its obligations. In addition, recent State case law indicates that Borrowers and others who hold or rely on appropriation rights to use stream water for water supply have rights which are subordinate to the rights of riparian landowners to make reasonable use of the stream water. Borrowers and other persons who hold or rely on appropriation rights to use stream water may be required to limit diversion of water or release water during periods when the source of stream water supply is insufficient to meet the needs of both the reasonable riparian uses and the appropriation. The limitation on the diversion or required release during such a period could result in a Borrower being unable to meet water demands until the water supply is replenished. A loss of revenues from the water system may also result. Acquisition of additional appropriation water rights, rights to use groundwater, riparian lands or easements thereto, and storage capacity (or any combination of such alternatives) may be necessary in order for such Borrowers to meet water demands in all periods.

Limitation of Remedies

The remedies available to the 2014A Bond Trustee or the holders of the Series 2014A Bonds upon an Event of Default under the 2014A Bond Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the federal bankruptcy code and the 2014A Bond Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2014A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In the event that a Borrower determines to use a supplemental revenue source (referred to herein as the "Additional Revenues"), in addition to pledged system revenues, as a source of funds to pay its Loan Repayments to the Board with respect to the Series 2014A Bonds, the ability of the Board to pay the principal of and interest on the Series 2014A Bonds may depend upon a number of factors:

- (i) in those cases where the Borrower is a public trust established pursuant to Title 60, Oklahoma Statutes 2011, Section 176 *et seq.*, as amended, for the benefit of a city, town or county (such city, town or county being herein referred to as the "Beneficiary"), the ability of a Borrower to receive Additional Revenues from such Beneficiary could be affected by (a) the failure by the governing body of the Beneficiary to renew the pledge of such Additional Revenues or to appropriate such revenues in any subsequent fiscal year, as the Oklahoma Constitution only allows a Beneficiary to pledge or appropriate such Additional Revenues on a year-to-year basis, (b) the repeal of the statutory authorization for such cities, towns, or counties to pledge and appropriate such Additional Revenues to a public trust, or (c) the action by the voters of the Beneficiary, by right of initiative, to repeal the pledge or appropriation of such revenues in any subsequent year; and

(ii) in those cases where the Additional Revenues consist of sales tax revenues (herein, the “Sales Tax Revenues”), the ability of a Borrower to receive or to use the Sales Tax Revenues could be affected by (a) the failure of the governing body of a Borrower or the Beneficiary of a Borrower to renew the pledge of such Sales Tax Revenues or to appropriate such revenues in any subsequent fiscal year, as the Oklahoma Constitution only allows a city, town or county to pledge or appropriate Sales Tax Revenues on a year-to-year basis, (b) the repeal of the statutory authorization for such cities, towns, or counties to pledge and appropriate such Sales Tax Revenues, or (c) the action by the voters of a Borrower or the Beneficiary of a Borrower, by right of initiative, to repeal the authorization for the levy of such Sales Tax Revenues.

Should any of the foregoing occur, or should the collection of such Additional Revenues decline due to economic conditions, the Borrower would be obligated under the Loan Agreement to increase its system rates, fees and/or charges as necessary to pay the Loan Repayments. If a Borrower failed to or was not able to increase rates by the amount required, then the ability of the Borrower to make timely Local Payments could be impaired. This, in turn, could also impair the ability of the Board to pay the Debt Service Fund requirements on the Series 2014A Bonds.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending (as to which the Board has received service of process) or, to the knowledge of the Board’s General Counsel, threatened which (a) seeks to restrain or enjoin the issuance or delivery of the Series 2014A Bonds, (b) contests or affects any authority for or the validity of the Series 2014A Bonds, (c) contests the power of the Board to issue the Series 2014A Bonds or the power of the Board to offer and sell them, (d) affects the power of the Board to make local Loans or to receive the appropriate Loan Repayments thereon, (e) affects the power of the Board to use the proceeds as reflected herein, (f) contests the existence of the Board, (g) in any manner questions the right of the Board to enter into the Master Trust Agreement, the 2014A Bond Indenture or to secure the Series 2014A Bonds in the manner provided in the Master Trust Agreement and the 2014A Bond Indenture, or (h) seeks to restrain or enjoin the execution and delivery of or performance under the Loans, the Master Trust Agreement or the 2014A Bond Indenture.

There are pending in various courts within the State several lawsuits in which the Board is a defendant, none of which involve the CWSRF Program, the DWSRF Program or the issuance of the Series 2014A Bonds. In the opinion of the Board’s General Counsel, no litigation is pending, or to his knowledge threatened, which is likely to result, either individually or in the aggregate, in judgments against the Board which would affect materially its ability to administer the CWSRF Program or the DWSRF Program.

Non Program-Related Proceedings

United States of America v. The State of Oklahoma and Oklahoma Water Resources Board. Since 1979 the Board has administered a certain contract dated February 16, 1974 (the “Contract”) which calls for annual payments to the United States of America (the “U.S. Government”) for the acquisition and purchase of water storage space in the Sardis Reservoir in the southeastern portion of the State of Oklahoma. By letter dated January 16, 1997, the United States Army Corps of Engineers (the “Corps”), as representative for the U.S. Government, notified the Board that the Corps has determined the total final project cost to be \$75,452,878.00, with water supply costs being \$38,368,568.00. The Corps also indicated that the costs due under the Contract had been revised accordingly, and included an amended amortization schedule for the then remaining 36 annual payments. Before 1998, the Board was authorized to make a total of eight (8) payments under the Contract totaling over \$4,400,000.00 to the Corps for present demand water supply storage costs.

Litigation concerning the non-payment of annual amounts set forth in the amended amortization schedule was filed by the United States in 1998. In January 2007, the United States Supreme Court denied review of a Tenth Circuit Court of Appeals opinion that upheld the federal district court decision that the Contract was valid and enforceable.

On September 11, 2009, an Order executed by the Governor, Oklahoma Office of Attorney General, the Board and the U.S. Department of Justice was filed in the federal court case. Among other matters, the Order provided that the State of Oklahoma and the Board would, by July 1, 2010, make the first of five annual installment payments of \$5,266,775.92 each, or in the alternative, a lump sum payment of \$27,814,262.49 to pay off the present use storage costs. In June 2010, the Board entered into an agreement with the Oklahoma City Water Utilities Trust (“OCWUT”) and City of Oklahoma City (“OKC”) dated June 15, 2010 (the “Transfer Agreement”) to transfer the Contract to OCWUT and OKC. Subsequently, on or about June 18, 2010, OCWUT paid to the State of Oklahoma by electronic transfer to the State Treasurer’s office a total of \$27,814,262.49, the figure provided in the September 2009 Order to pre-pay the balance allocated to present use storage at Sardis Lake and other costs. On or about June 23, 2010, pursuant to instructions of the Board as provided by the Corps, an electronic transfer of \$27,814,262.49 was paid from the State Treasurer’s office to the Finance Center of the Corps. Pursuant to the Transfer Agreement, OCWUT further agreed to pay other costs for Sardis Lake as invoiced by the Corps.

Until the Corps approves the transfer of the Contract to OKC, the Board will receive invoices from the Corps for the annual operation and maintenance payments and other payments as specified by the Contract. The Board will forward invoices from the Corps to OKC with instructions to make payment to the Board in sufficient time so that the Board can submit the payment amount to the Corps by the due date.

Chickasaw Nation v. Fallin. On August 18, 2011, the Chickasaw Nation and Choctaw Nation of Oklahoma (the “Indian Nations”) filed a complaint in the United States District Court for the Western District of Oklahoma against Oklahoma Governor Fallin, the nine members of the Board, the Executive Director of the Board, OKC and OCWUT. A first amended complaint was filed November 10, 2011. As so amended, the complaint alleges the Indian Nations have federally-protected rights in the water and territory located generally in present-day southeastern Oklahoma. Among other things, the complaint seeks (1) declaratory judgments against any action by the Board on a pending application by OKC and OCWUT for a permit to use stream water from Sardis Reservoir, or other withdrawal or export of water from the area at issue, unless and until there is initiated a general stream adjudication that satisfies the requirements of the McCarran Amendment (43 U.S.C. § 666, which generally provides that the United States be allowed to be joined as a defendant in certain suits concerning the adjudication or administration of rights to use of waters) and (2) permanent injunctions against any such action unless and until a general stream adjudication that satisfies the McCarran Amendment is complete.

On February 10, 2012, the Oklahoma Attorney General filed an application for the Supreme Court of Oklahoma to assume original jurisdiction to initiate comprehensive stream adjudication proceedings to protect and accurately determine all rights to the use of water in the Kiamichi, Clear Boggy, and Muddy Boggy stream systems, and moved to dismiss the Indian Nations’ federal court action as a premature effort to have federal courts usurp Oklahoma’s management of waters of the State. On February 23, 2012, the Oklahoma Supreme Court granted the application to assume original jurisdiction. However, on March 12, 2012, the United States filed a Notice of Removal with the federal district court in Oklahoma City so that the Oklahoma Supreme Court no longer has jurisdiction. Since that time, a joint motion to stay proceedings has been granted for both cases (*Chickasaw Nation and Choctaw Nation v. Fallin* and *OWRB v. United States*) and has been renewed on a continual basis to allow further efforts in mediation. The stay currently has been extended until May 15, 2014.

LEGAL MATTERS

All legal matters related to the authorization, issuance, sale and delivery of the Series 2014A Bonds are subject to the approval of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel. Certain legal matters will be passed upon for the Board by its General Counsel and certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP. The approving opinion of Bond Counsel is expected to be delivered with the Series 2014A Bonds in substantially the form appearing in Appendix E. Under the provisions of the Act, the State Attorney General is required to examine the record of proceedings relating to the issuance of the Series 2014A Bonds and execute and file his certificate if he finds the Series 2014A Bonds to have been authorized and issued in accordance with the Constitution and laws of the State. Pursuant to the Act, upon the expiration of a 30-day statutory contest period following the date of the Attorney General's certificate, the Series 2014A Bonds shall be incontestable.

TAX MATTERS

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE SERIES 2014A BONDS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED BELOW. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2014A BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Series 2014A Bonds and is based on the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Series 2014A Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers qualifying for the health insurance premium assistance credit, taxpayers who may be subject to or personal holding company provisions of the Code) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Series 2014A Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further

limited to investors who will hold the Series 2014A Bonds as “capital assets” (generally, property held for investment) within the meaning of section 1221 of the Code.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2014A Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Series 2014A Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2014A BONDS IN LIGHT OF THE HOLDER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE SERIES 2014A BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2014A BONDS BEFORE DETERMINING WHETHER TO PURCHASE SERIES 2014A BONDS.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding. Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2014A Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Certain U.S. Federal Income Tax Consequences to U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Series 2014A Bonds are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Series 2014A Bonds or original issue discount, if any, accruing on the Series 2014A Bonds will be includable in “gross income” within the meaning of section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Series 2014A Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Series 2014A Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner’s tax basis in the Series 2014A Bonds. Generally, a U.S. Holder’s tax basis in the Series 2014A Bonds will be the owner’s initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or

loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Series 2014A Bonds has been held for more than one year.

Defeasance of the Series 2014A Bonds. Defeasance of any Series 2014A Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences

Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Series 2014A Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Effective for tax years beginning after December 31, 2012, pursuant to the Health Care and Education Reconciliation Act of 2010, which was intended to help finance the cost of healthcare reform, certain individuals, estates or trusts may be subject to a surtax of 3.8% on all or a portion of the taxable interest that is paid on the Series 2014A Bonds. **PROSPECTIVE PURCHASERS OF THE SERIES 2014A BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.**

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Series 2014A Bond, will not be subject to U.S. federal income or withholding tax in respect of such Series 2014A Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Series 2014A Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

State Income Taxation

In addition, in the opinion of Bond Counsel, under State statutes existing on the date hereof, interest on the Series 2014A Bonds is exempt from income taxation by the State or any county, municipality or political subdivision of the State.

UNDERWRITING

The Series 2014A Bonds are to be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriters identified on the cover page hereof (the "Underwriters"), pursuant to a Bond Purchase Agreement with the Board (the "Bond Purchase Agreement"). The Underwriters have agreed to purchase the Series 2014A Bonds at a price of \$55,350,108.49 (representing the principal amount thereof less an Underwriters' discount of \$209,891.51). The Bond Purchase Agreement provides that the Underwriters will not be obligated to purchase any of the Series 2014A Bonds unless all of the Series 2014A Bonds are available for purchase and requires the Board to indemnify the Underwriters against losses, claims, damages and liabilities arising out of any incorrect or incomplete statements or information contained in this Official Statement

pertaining to the Board, the Programs, the 2014A Bond Indenture and other matters. The initial public offering prices set forth on the inside cover hereof may be changed by the Underwriters.

One of the Underwriters of the Series 2014A Bonds is BOSC, Inc., A subsidiary of BOK Financial Corporation (“BOSC”). BOSC and BOKF, NA (“BOKF, NA”) are both wholly-owned subsidiaries of BOK Financial Corporation (“BOKF”), a bank holding company organized under the laws of the State of Oklahoma. Thus, BOSC and BOKF, NA are affiliated, but BOSC is not a bank. Affiliates of BOSC may provide banking services or engage in other transactions with the Board. BOKF and BOKF, NA are not responsible for the obligations of BOSC.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2014A Bonds, has entered into a negotiated dealer agreement (“Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Series 2014A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2014A Bonds that CS&Co. sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Series 2014A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2014A Bonds.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Board, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Board.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Board intends to use a portion of the proceeds from this offering to redeem the Series 2004 Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Series 2004 Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2014A Bonds contemplated herein in connection with such Series 2004 Refunded Bonds being redeemed by the Board.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Board in connection with the issuance of the Series 2014A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2014A Bonds is contingent upon the issuance and delivery of the Series 2014A Bonds. First Southwest Company, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2014A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Board has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Board and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

RATINGS

The Series 2014A Bonds have been rated “AAA” by Fitch Ratings, “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business. Such ratings reflect only the views of such organizations at the time such ratings are given, and the Board and the Underwriters make no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from such rating agencies. The Board furnished such rating agencies with certain information and materials relating to the Series 2014A Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. Neither the Underwriters nor the Board has undertaken any responsibility to bring to the attention of the owners of the Series 2014A Bonds any proposed revision or withdrawal of a rating of the Series 2014A Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the Series 2014A Bonds.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of and payment for the Series 2014A Bonds, the Board will deliver a certificate of the Chairman, Executive Director and the Board’s General Counsel addressed to the Underwriters to the effect that each has examined this Official Statement (including the Appendices) and the financial and other data concerning the Board contained herein and that, to the best of their knowledge and belief (i) this Official Statement (excluding Appendix E), both as of its date and as of the date of delivery of the Series 2014A Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Series 2014A Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the Board except as set forth in or contemplated by this Official Statement.

CONTINUING DISCLOSURE

The Board will enter into a Continuing Disclosure Agreement dated as of March 1, 2014, with respect to the Series 2014A Bonds with the 2014A Bond Trustee (the “Continuing Disclosure Agreement”) to provide certain periodic information and notices of certain events to the Municipal Securities Rulemaking Board, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the “Rule”) for the benefit of the holders and beneficial owners of the Series 2014A Bonds. The obligation of the Underwriters to accept and pay for the Series 2014A Bonds is conditioned upon delivery to the Underwriters or their agents of a certified copy of the Continuing Disclosure Agreement. The proposed form of the Continuing Disclosure Agreement is attached hereto as Appendix F. During the last five years, the Board has not failed to comply in any material respect with any previous continuing disclosure undertaking by it.

MISCELLANEOUS

All quotations from and summaries and explanations of law herein do not purport to be complete and reference is made to said laws for full and complete statements of their provisions. The attached Appendices A through K are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the Board and the purchasers or holders of any of the Series 2014A Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representation of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof.

This Official Statement, its distribution and use by the Underwriters and its execution and delivery by an authorized officer of the Board have been duly authorized and approved by the Board.

OKLAHOMA WATER RESOURCES BOARD

By: /s/ Rudolf J. Herrmann
Chairman

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SCHEDULE I

DESCRIPTION OF SERIES 2004 REFUNDED BONDS

Proceeds of the Series 2014A Bonds will be combined with certain other moneys, including Prepayments received from Borrowers of certain of the Loans pledged to the Series 2004 Refunded Bonds, and used for the purpose of currently refunding the Series 2004 Refunded Bonds described below.

\$145,985,000 in outstanding aggregate principal amount of the Oklahoma Water Resources Board, Revolving Fund Revenue Bonds, Series 2004 (Master Trust), of the maturities, in the principal amounts, bearing interest at the rates and to be redeemed on the date and at the redemption prices (plus interest accrued thereon to the redemption date thereof) as set forth below.

| <u>Maturity</u> <u>April 1</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>CUSIP</u> <u>Base: 67919P</u> | <u>Redemption</u> <u>Date</u> | <u>Redemption</u> <u>Price</u> |
|---|---|--|---|--|---|
| 2014 | \$ 2,020,000 | 3.500% | CB7 | Maturity | 100% |
| 2014 | 8,150,000 | 5.250 | CC5 | Maturity | 100 |
| 2015 | 120,000 | 3.625 | CD3 | 04/01/2014 | 100 |
| 2015 | 10,465,000 | 5.000 | CE1 | 04/01/2014 | 100 |
| 2016 | 200,000 | 3.700 | CF8 | 04/01/2014 | 100 |
| 2016 | 10,555,000 | 5.000 | CG6 | 04/01/2014 | 100 |
| 2017 | 11,255,000 | 5.000 | CH4 | 04/01/2014 | 100 |
| 2018 | 100,000 | 3.850 | CJ0 | 04/01/2014 | 100 |
| 2018 | 11,690,000 | 5.000 | CK7 | 04/01/2014 | 100 |
| 2019 | 10,890,000 | 5.000 | CL5 | 04/01/2014 | 100 |
| 2020 | 1,110,000 | 4.000 | CM3 | 04/01/2014 | 100 |
| 2020 | 9,580,000 | 5.000 | CN1 | 04/01/2014 | 100 |
| 2021 | 315,000 | 4.150 | CP6 | 04/01/2014 | 100 |
| 2021 | 10,075,000 | 4.750 | CQ4 | 04/01/2014 | 100 |
| 2022 | 9,895,000 | 4.750 | CR2 | 04/01/2014 | 100 |
| 2023 | 1,510,000 | 4.375 | CS0 | 04/01/2014 | 100 |
| 2023 | 8,505,000 | 4.750 | CT8 | 04/01/2014 | 100 |
| 2024 | 10,185,000 | 4.750 | CU5 | 04/01/2014 | 100 |
| 2025 | 745,000 | 4.500 | CV3 | 04/01/2014 | 100 |
| 2025 | 11,675,000 | 4.750 | CW1 | 04/01/2014 | 100 |
| 2026 | 12,510,000 | 4.750 | CX9 | 04/01/2014 | 100 |
| 2027 | 4,435,000 | 4.625 | CY7 | 04/01/2014 | 100 |

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APPENDIX A

DEFINITION OF CERTAIN TERMS

This Appendix A includes definitions of certain terms used herein, in the Series 2014A Bond Indenture and the Master Trust Agreement.

“*Act*” means 82 Oklahoma Statutes 2011, Sections 1085.31 *et seq.*, as from time to time supplemented and amended, and such other statutory authority now or hereinafter in effect, pursuant to which the Board derives powers.

“*Administrative Fee Payment*” means the amount set forth in a Loan Agreement as the administrative fee payable to the Board.

“*Board*” means the Oklahoma Water Resources Board.

“*Board Representative*” means the Chairman, Vice Chairman, the Executive Director, the Secretary or any Assistant Secretary of the Board.

“*Bond*” or “*Bonds*” means any bond or bonds or all the bonds, as the case may be, of the Board in one or more series, relating to the Clean Water Program or the Drinking Water Program, or both, issued and secured pursuant to one or more Bond Indentures and further secured under the Master Trust Agreement.

“*Bond Indenture*” means, with respect to each Series of Bonds, the bond indenture or other similar document between the Board and a Bond Indenture Trustee, pursuant to which a Series of Bonds is issued and delivered.

“*Bond Indenture Trustee*” means, with respect to each Series of Bonds, the trustee named under the related Bond Indenture in its capacity as such trustee.

“*Clean Water Account*” means the Clean Water State Revolving Fund Loan Account created under Section 1085.53 of the State Clean Water Act.

“*Clean Water Program*” means the Oklahoma Water Resources Board Clean Water State Revolving Fund Program, established pursuant to the Federal Clean Water Act and the State Clean Water Act.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder or under the corresponding section of the Internal Revenue Code of 1954, as amended, or any subsequently enacted internal revenue law of the United States of America.

“*Costs of Issuance*” means the costs of issuance of the Series 2014A Bonds as certified by the Board on the date of issuance thereof.

“*Date of Delivery*” means the date of delivery of the Series 2014A Bonds to the initial purchasers thereof.

“*Deficiency Fund*” means the fund by that name established by Section 301 of the Master Trust Agreement.

“*Drinking Water Account*” means the Drinking Water Treatment Revolving Loan Account created under Section 1085.73 of the State Drinking Water Act.

“*Drinking Water Program*” means the Oklahoma Water Resources Board Drinking Water State Revolving Fund Program, established pursuant to the Federal Drinking Water Act and the State Drinking Water Act.

“*EPA*” means the United States Environmental Protection Agency or any successor entity which may succeed to the administration of the programs established pursuant to the Federal Clean Water Act or the Federal Drinking Water Act.

“*Federal Clean Water Act*” means the federal Water Quality Act of 1987, 33 U.S.C., Section 1381 *et seq.*, as supplemented and amended from time to time, or any successor provisions.

“*Federal Drinking Water Act*” means the federal Safe Drinking Water Act, 42 U.S.C., Section 300f *et seq.*, as supplemented and amended from time to time, or any successor provisions.

“*Federal Securities*” means bonds, notes, certificates of indebtedness, treasury bills or other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America.

“*Investment Securities*” shall mean any of the following:

- (1) Obligations of the United States Government, its agencies and instrumentalities;
- (2) Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in the State;
- (3) Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items specified in (1) and (2) above; and
- (4) investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency.

The value of the investments shall be determined as provided in “Value” below.

“Value”, as of any particular time of determination, shall mean that the value of any investments shall be calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(d) as to any investment not specified above: the value thereof established by prior agreement between the Board and the Trustee.

If more than one provision of this definition of “Value” shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

“*Leveraged Bond*” means any Bond, other than a State Match Bond, issued for the purpose of providing funds to make loans pursuant to the Clean Water Program or the Drinking Water Program.

“*Loan*” means the loans made pursuant to the Loan Agreements. The term “*Loan*” excludes any Loan released pursuant to the Indenture and includes any Loan substituted pursuant to the Indenture.

“*Loan Agreement*” means each Loan Agreement entered into between the Board and a Participant, evidencing a Loan.

“*Loan Payment*” means any payment due and payable by a Participant in repayment of the Loan made by the Board to such Participant under the applicable Loan Agreement or Participant Obligation, but excluding any Administrative Fee Payment.

“*Master Trust Agreement*” means the Master Trust Agreement, dated as of October 1, 2003, between the Board and the Master Trustee, as from time to time amended and supplemented.

“*Master Trustee*” means BancFirst, Oklahoma City, Oklahoma, an Oklahoma banking corporation, and any successor master trustee at the time serving as Master Trustee under the Master Trust Agreement.

“*Officer’s Certificate*” means a certificate signed by a Board Representative.

“*Outstanding*,” when used with reference to any Bond, has the meaning ascribed by the Bond Indenture pursuant to which such Bond was issued.

“*Owner*,” “*Bondowner*,” “*Bondholder*,” “*holder*” or “*owner*” means the registered owner of any Bond as provided in the related Bond Indenture.

“*Participant*” means the unit of local government that is the obligor under the applicable Loan Agreement.

“*Participant Obligation*” means the bonds, notes or other evidences of indebtedness issued by a Participant to evidence its obligation to repay the related Loan, in addition to the related Loan Agreement, if any.

“*Prepayment*” means any amount received by the Board from payment of principal of Loans, which amount is received prior to the scheduled payment date or dates of such Loans.

“*Rating Agencies*” means Fitch Ratings, Inc., Moody’s Investors Service, Inc., and Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and their respective successors and assigns, and, if for any reason any such rating agency is no longer performing the functions of a securities rating agency or is not then maintaining a rating on the Series 2014A Bonds, any other nationally recognized securities rating agency designated by the Board.

“*Series Certificate*” means, with respect to any Series of Bonds, the related Officer’s Certificate delivered pursuant to the Master Trust Indenture, as such certificate may be amended from time to time.

“*Series of Bonds*” or “*Bonds of a series*” or words of similar meaning means the Series of Bonds authorized by a Bond Indenture and secured under the Master Trust Agreement.

“*Series 2014A Bond Indenture*” means the Bond Indenture between the Board and BancFirst, as Trustee, dated as of March 1, 2014, authorizing the issuance of Oklahoma Water Resources Board Revolving Fund Revenue Refunding Bonds, Taxable Series 2014A (Master Trust).

“*Series 2014A Bonds*” means the Series of Bonds authorized by the Series 2014A Bond Indenture and secured under the Master Trust Agreement.

“*State*” means the State of Oklahoma.

“*State Clean Water Act*” means Title 82 Oklahoma Statutes Sections 1085.51-1085.65, inclusive, as supplemented and amended.

“*State Drinking Water Act*” means Title 82 Oklahoma Statutes Sections 1085.71-1085.84A, inclusive, as supplemented and amended.

“*State Match Bond*” means any Bond issued for the purpose of meeting any applicable state-level matching requirement pursuant to the Clean Water Program or the Drinking Water Program.

“*Supplemental Trust Agreement*” means any trust agreement supplementary to or amendatory of the Master Trust Agreement.

“*Water Resources Fund*” means the fund created pursuant to Section 1085.33 of the Act, as supplemented and amended.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT

The following, in addition to the information provided elsewhere in the Official Statement, summarizes certain provisions of the Master Trust Agreement dated as of October 1, 2003, between the Board and BancFirst, as Master Trustee. Reference should be made to the Master Trust Agreement, a copy of which will be available for inspection at the corporate trust office of the Master Trustee, for a full and complete statement of its terms.

Issuance of Bonds

Subject to determination from time to time by resolutions of the Board, the Board may issue Series of Bonds which, except to any extent otherwise provided in the related Bond Indenture, shall be secured under the Master Trust Agreement solely by the assignment and pledge of certain funds and accounts pursuant thereto.

Conditions to Securing Bonds Under Master Trust Agreement

In order for any Series of Bonds to be secured by the Master Trust Agreement, prior to or simultaneously with the authentication and delivery of the Series of Bonds, the Master Trustee shall receive the following:

- (1) an original executed counterpart of the Series Certificate
 - (A) stating that the Series of Bonds is entitled to the benefits of the Master Trust Agreement, and
 - (B) directing the Master Trustee as to the creation of any funds and accounts to be established for the Series of Bonds which are in addition to those required under the Master Trust Agreement, and
 - (C) demonstrating compliance with Bond Covenants prescribed in the Master Trust Agreement, and
- (2) an original executed counterpart or a copy, certified by a Board Representative, of the related Bond Indenture.

Liability Under Bonds

Each Series of Bonds, together with the interest thereon, shall be special, limited obligations of the Board, payable solely by the trust estate established under the related Bond Indenture and the Master Trust Agreement. The Bonds and the premium, if any, and interest thereon shall not constitute an indebtedness or an obligation, general or moral, or a pledge of the faith or loan of credit of the Board, the State or any political subdivision thereof, within the purview of any constitutional limitation or provision, and shall never constitute or give rise to a charge against the faith and credit or taxing powers, if any, of the Board, the State or any political subdivision thereof, but shall be payable solely from the trust estate established under the related Bond Indenture and the Master Trust Agreement.

Bond Covenants

A Series of Bonds to be secured by and entitled to the benefits of the Master Trust Agreement shall be issued only if the following conditions are satisfied: (i) the principal amount of the Bonds then being issued, together with the Bonds then outstanding shall not exceed in aggregate principal amount any limitation imposed by law; and (ii) an Officer's Certificate shall have been delivered to the Trustee to the effect that cash flow reports evidence the sufficiency of the available revenues under the Bond Indentures relating to all outstanding Bonds and the Bond Indenture relating to the Bonds then to be issued to pay 1.1 times principal and interest coming due on all Bonds then outstanding and the Bonds then to be issued on any payment date with respect to the Bonds.

Creation and Custody of Funds and Accounts

(i) The following Funds and Accounts are established: a Deficiency Fund consisting of a Clean Water Account (and within such Account, a Restricted Subaccount and an Unrestricted Subaccount) and a Drinking Water Account (and within such Account, a Restricted Subaccount and an Unrestricted Subaccount).

(ii) The Board may, by a Supplemental Trust Agreement, Series Certificate or other Officer's Certificate establish one or more additional funds, accounts or subaccounts under the Master Trust Agreement.

(iii) Except as otherwise provided, the Deficiency Fund will be held by the Master Trustee for the benefit of the owners of the Bonds. As security for payment of each Series of Bonds, the Board pledges and assigns the Deficiency Fund and all amounts from time to time on deposit therein and available for the payment of each Series of Bonds, in the manner and to the extent provided in the Master Trust Agreement and the applicable Bond Indenture, to the Master Trustee.

(iv) The pledge and assignment effected by the Master Trust Agreement will be valid and binding from the date of execution and delivery thereof, the moneys so pledged and assigned and received by the Board or the Master Trustee will be subject to the lien of such pledge and assignment, and, such lien will be a continuing, irrevocable and exclusive first lien and will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Board.

Deposits to Deficiency Fund

(a) The Master Trustee will promptly deposit in the appropriate subaccount of the Clean Water Account of the Deficiency Fund all moneys released by a Bond Indenture Trustee with respect to a Series of Bonds (or portion thereof) issued for the Clean Water Program. Any other moneys transferred to the Clean Water Account of the Deficiency Fund will be applied as directed in an Officer's Certificate.

(b) The Master Trustee will promptly deposit in the appropriate subaccount of the Drinking Water Account of the Deficiency Fund all moneys released by a Bond Indenture Trustee with respect to a Series of Bonds (or portion thereof) issued for the Drinking Water Program. Any other moneys transferred to the Drinking Water Account of the Deficiency Fund will be applied as directed in an Officer's Certificate.

Withdrawals from Deficiency Fund

(a) On each payment date, prior to the transfer by a Bond Indenture Trustee of any moneys from a Reserve Fund established under a Bond Indenture for the purpose of paying the principal of or interest on Bonds, the Master Trustee will take the following actions pertaining to the Clean Water Account of the Deficiency Fund in the following order of priority, subject to paragraphs (c), (d), and (e) below:

(1) the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount established for a Series of Bonds (or portion thereof) issued for the Clean Water Program, the amount certified by such Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Bonds (or portion thereof);

(2) after making any transfers described in subsection (a)(1) above, the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount established for a Series of Bonds (or portion thereof) issued for the Drinking Water Program, the amount certified by such Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Bonds (or portion thereof);

(3) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Bonds (or portion thereof) issued for the Clean Water Program;

(4) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Bonds (or portion thereof) issued for the Drinking Water Program;

(5) the Master Trustee will transfer and replenish to the Drinking Water Account of the Deficiency Fund any amounts previously advanced from said Drinking Water Account for the benefit of a Series of Bonds (or portion thereof) issued for the Clean Water Program; and

(6) the Master Trustee shall withdraw all remaining moneys, and transfer such moneys to the State Treasurer for deposit in the Clean Water Account of the Water Resources Fund.

(b) On each payment date, prior to the transfer by a Bond Indenture Trustee of any moneys from a Reserve Fund established under a Bond Indenture for the purpose of paying the principal of or interest on Bonds, the Master Trustee will take the following actions pertaining to the Drinking Water Account of the Deficiency Fund in the following order of priority, subject to paragraphs (c), (d), and (e) hereof:

(1) the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount established for a Series of Bonds (or portion thereof) issued for the Drinking Water Program, the amount certified by such Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Bonds (or portion thereof);

(2) after making any transfers described in subsection (b)(1) above, the Master Trustee will transfer to a Bond Indenture Trustee, for deposit in the appropriate debt service subaccount established for a Series of Bonds (or portion thereof) issued for the Clean Water

Program, the amount certified by such Bond Indenture Trustee to be necessary to timely make the debt service payment due on such payment date on that Series of Bonds (or portion thereof);

(3) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Bonds (or portion thereof) issued for the Drinking Water Program;

(4) the Master Trustee will transfer to a Bond Indenture Trustee the amount certified by such Bond Indenture Trustee to be necessary to replenish any deficiency in an account in a reserve fund for a Series of Bonds (or portion thereof) issued for the Clean Water Program;

(5) the Master Trustee will transfer and replenish to the Clean Water Account of the Deficiency Fund any amounts previously advanced from said Clean Water Account for the benefit of a Series of Bonds (or portion thereof) issued for the Drinking Water Program; and

(6) the Master Trustee will withdraw all remaining moneys, and transfer such moneys to the State Treasurer for deposit in the Drinking Water Account of the Water Resources Fund.

(c) Subject to the order of priority in paragraphs (a) and (b) above, the Master Trustee shall be permitted to make the following transfers to a Bond Indenture Trustee, to the extent funds are available: (i) transfers from either Restricted Subaccount of a Deficiency Fund may be made to any Bond Indenture debt service fund subaccount or Bond Indenture reserve fund subaccount existing for payment and/or security of Leveraged Bonds; (ii) transfers from either Unrestricted Subaccount of a Deficiency Fund may be made to any Bond Indenture debt service fund subaccount or Bond Indenture reserve fund subaccount existing for payment and/or security of State Match Bonds; (iii) transfers from either Unrestricted Subaccount of a Deficiency Fund may be made to any Bond Indenture debt service fund subaccount or Bond Indenture reserve fund subaccount existing for payment and/or security of Leveraged Bonds but only if no funds remain within the corresponding Restricted Subaccount of a Deficiency Fund.

(d) If, for either the Drinking Water Program or the Clean Water Program, more than one Bond Indenture Trustee has certified to the Master Trustee that there are insufficient moneys on hand to pay the debt service on the applicable Series of Bonds, then the Master Trustee shall transfer moneys to the Bond Indenture Trustees with respect to each Series of Bonds designated in the applicable Series Certificates. If there are insufficient moneys on deposit in the Deficiency Fund to satisfy all such requests, the Master Trustee shall transfer moneys to the Bond Indenture Trustees pro rata based on the amount of the respective deficiencies among such Bonds.

(e) The Master Trustee shall not make any transfers from the Clean Water Account of the Deficiency Fund to pay the debt service on any Series of Bonds issued for or any reserve account with respect to the Drinking Water Program, unless no moneys are on deposit in the Drinking Water Account of the Deficiency Fund, and shall not make any transfers from the Drinking Water Account of the Deficiency Fund to pay the debt service on any Series of Bonds issued for or any reserve account with respect to the Clean Water Program, unless no moneys are on deposit in the Clean Water Account of the Deficiency Fund.

(f) To the extent such transfers are prohibited under the Clean Water Program and the Drinking Water Program, the Master Trustee shall not make any transfers from the Clean Water Account of the Deficiency Fund to pay the debt service on or to replenish any reserve account with respect to State Match Bonds issued for the Drinking Water Program, and shall not make any transfers from the Drinking

Water Account of the Deficiency Fund to pay the debt service on or to replenish any reserve account with respect to State Match Bonds issued for the Clean Water Program.

Records; Reporting Requirements

(a) The Master Trustee will maintain financial transaction records in accordance with generally accepted accounting principles.

(b) The Master Trustee will provide financial reports to the Board within thirty (30) days of the end of each calendar month. Each financial report will cover financial activities during the preceding calendar month.

(c) The Trustee shall provide the Board with such additional written reports as shall be reasonably requested.

Intervention by Master Trustee

In any judicial proceeding to which the Board is a party and which in the opinion of the Master Trustee and its counsel has a substantial bearing on the interest of the owners of the Bonds, the Master Trustee may, in its discretion, intervene on behalf of the owners of the Bonds and shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of all Bonds then Outstanding, *provided* that the Master Trustee shall first have been provided indemnity as it may require against the costs, expenses and liabilities which it may incur in or by reason of such proceeding.

Representations, Warranties and Covenants of the Master Trustee

The Master Trustee represents, warrants and covenants as follows:

(a) All federal, state and local governmental, public, and regulatory authority approvals, consents, notices, authorizations, registrations, licenses, exemptions and filings that are required to have been obtained or made by the Master Trustee with respect to the authorization, execution, delivery, and performance by, or the enforcement against or by, the Master Trustee of the Master Trust Agreement have been obtained, and are in full force and effect, and all conditions of such approvals, consents, notices, authorizations, registrations, licenses, exemptions and filings have been fully complied with.

(b) The Master Trustee has a reported capital, surplus and undivided profits of not less than \$50,000,000.

Amendments

This Agreement may be amended by a written instrument executed by the Board and the Master Trustee, if: (i) (a) in the sole judgment of the Master Trustee, the amendment does not materially adversely affect the interests of the owners of any Series of Bonds or (b) such amendment is necessary to comply with applicable Clean Water Program or Drinking Water Program requirements, and (ii) the Board and the Master Trustee receive written confirmation from each of the Rating Agencies that the amendment will not result in the downgrade, qualification or withdrawal of its credit rating on any Series of Bonds. In exercising its judgment, the Master Trustee may rely on the opinion of such counsel as it may select.

Program Compliance

It is the intent of the Board, and the Board so covenants, to comply with federal, state, and local laws and regulations, including specifically any applicable Clean Water Program and Drinking Water Program requirements. The Board further covenants to obtain the concurrence of EPA, to the extent required, prior to the issuance of any Series of Bonds.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2014A BOND INDENTURE

The following, in addition to the information provided elsewhere in the Official Statement, summarizes certain provisions of the Series 2014A Bond Indenture, as such terms are defined in Appendix A to this Official Statement. Reference should be made to the Series 2014A Bond Indenture, a copy of which will be available for inspection at the corporate trust office of the Trustee, for a full and complete statement of its terms.

Establishment of Funds and Accounts

The following special funds and accounts are created by the Board, each of which shall be held by the Trustee:

(a) Loan Fund, consisting of a Clean Water Account (and within such Account, a State Match Bond Subaccount and a Leveraged Bond Subaccount) (each a "*Loan Account*") and a Prepayment Account (and within such Account, a State Match Bond Subaccount and a Leveraged Bond Subaccount) (each defined in the Series 2014A Bond Indenture as a "*Prepayment Account*");

(b) Revenue Fund, consisting of a Clean Water Account (and within such Account, a Principal Component Subaccount, an Interest Component Subaccount, and an Administrative Fee Subaccount) (each defined in the Series 2014A Bond Indenture as a "*Revenue Account*");

(c) Debt Service Fund, consisting of a Clean Water Account (and within such Account, a State Match Bond Subaccount and a Leveraged Bond Subaccount) (each defined in the Series 2014A Bond Indenture as a "*Debt Service Account*");

(d) Reserve Fund, consisting of a Clean Water Account (also referred to as a "*Reserve Account*"); and

(e) Costs of Issuance Fund.

Costs of Issuance Fund

The Trustee shall deposit in the Costs of Issuance Fund from the proceeds of the Series 2014A Bonds the amounts set forth in the Series 2014A Bond Indenture. Moneys in the Costs of Issuance Fund shall be applied by the Trustee to the payment of costs of issuance of the Series 2014A Bonds, including payment of all necessary fees, costs and expenses of the Trustee and the Board relating to the Series 2014A Bonds, as limited by the terms of the Series 2014A Bond Indenture. Disbursements to pay such costs shall be made by the Trustee upon a requisition signed by the Board Representative. The Trustee will transfer any balance remaining in the Costs of Issuance Fund on the one hundred eightieth day following the issuance of the Series 2014A Bonds to the respective Loan Fund to make Loans to Participants. Moneys in the Costs of Issuance Fund shall be invested pursuant to the Series 2014A Bond Indenture.

Loan Fund

There shall be deposited in the Clean Water Account of the Loan Fund moneys as directed by the Series 2014A Bond Indenture. The Trustee shall disburse moneys in the Loan Fund for payment of

requisitions submitted by a Participant pursuant to a Loan Agreement at such times and in such amounts as designated in an Officer's Certificate. Moneys in the Loan Fund shall be invested pursuant to the Series 2014A Bond Indenture.

There shall be deposited in the Prepayment Account of the Loan Fund moneys received as Prepayments of Loans which were funded in whole or in part with proceeds of the Series 2014A Bonds. Prepayments shall be deposited in the Prepayment Account of the Loan Fund upon delivery of an Officer's Certificate. Moneys on deposit in the Prepayment Account of the Loan Fund shall be used within 90 days of the receipt of the Prepayment to make Loans or to acquire Federal Securities. Prepayments which have not been applied in the manner described above in this paragraph may be held by the Board for a period in excess of 90 days following the receipt of such Prepayments if there has been delivered to the Board a written opinion of Bond Counsel to the effect that such action will not adversely affect the excludability from gross income of the interest payable on the Series 2014A Bonds then Outstanding.

Revenue Fund

(a) There shall be deposited in the Principal Component Subaccount of the Clean Water Account of the Revenue Fund (i) all Revenues representing the repayment of principal derived from the Clean Water Loans, the related Loan Agreements and the related Participant Obligations; and (ii) all other moneys directed to be deposited in the Principal Component Subaccount of the Clean Water Account of the Revenue Fund by the Board.

(b) There shall be deposited in the Interest Component Subaccount of the Clean Water Account of the Revenue Fund (i) all Revenues representing the payment of interest on Clean Water Loans; (ii) all investment income derived from investments made with moneys on deposit in the Clean Water Account of the Loan Fund, the Clean Water Account of the Revenue Fund, and the Clean Water Account of the Debt Service Fund; (iii) accrued interest, if any, on the Series 2014A Bonds, required to be deposited pursuant to the Indenture; and (iv) all other moneys directed to be deposited in the Interest Component Subaccount of the Clean Water Account of the Revenue Fund by the Board.

(c) There shall be deposited in the Administrative Fee Subaccount of the Clean Water Account of the Revenue Fund all Revenues representing Administrative Fee Payments on Clean Water Loans.

(d) Periodically as shall be mutually agreed upon by the Trustee and the Board in writing, the Trustee shall pay from such moneys on deposit in the Administrative Fee Subaccount the fees and expenses of the Trustee (including without limitation any extraordinary fees and expenses (including reasonable attorneys' fees) of the Trustee) and any other costs, fees and expenses due hereunder, in accordance with the agreement entered into by the Board and the Trustee, and shall transfer the balance of the moneys on deposit in such Administrative Fee Subaccount to the State Treasurer for deposit in an account of the Water Resources Fund as designated by a Board Representative.

(e) The use of moneys in the Administrative Fee Subaccount described in clause (d) above reflects the practice of the Board since the adoption of the Master Trust Agreement with respect to the administration and disbursement of moneys for the payment of administrative fees, costs and expenses incurred under the Clean Water Program and the Drinking Water Program. The Board represents that the provisions of such clause (d) reflect the practices of the Board in respect to, and apply to, the disbursement of moneys from each administrative fee account or subaccount established by the Board in connection with the outstanding bonds issued by the Board for the Clean Water Program and the Drinking Water Program.

Debt Service Fund

(a) There shall be deposited in the State Match Bond Subaccount of the Clean Water Account of the Debt Service Fund and in the Leveraged Bond Subaccount of the Clean Water Account of the Debt Service Fund all moneys received as described under “Flow of Funds”, below.

(b) Moneys on deposit in the respective Accounts and Subaccounts of the Debt Service Fund shall be applied solely to pay the interest on the Series 2014A Bonds as the same becomes due and payable and to pay the principal of and premium, if any, on the Series 2014A Bonds as the same becomes due and payable at maturity or upon the redemption of Series 2014A Bonds prior to maturity. On each date fixed for redemption of the Series 2014A Bonds and on each scheduled Payment Date on the Series 2014A Bonds, the Trustee shall remit to the respective owners of such Series 2014A Bonds an amount from the respective Account or Subaccount of the Debt Service Fund sufficient to pay the interest on the Series 2014A Bonds becoming due and payable on such date. On each Payment Date of the Series 2014A Bonds, the Trustee shall set aside and hold in trust an amount from the respective Account or Subaccount of the Debt Service Fund, sufficient to pay the principal of the Series 2014A Bonds becoming due and payable on such Payment Date. Pending such application, moneys in the Debt Service Fund shall be invested pursuant to the Series 2014A Bond Indenture.

Reserve Fund

(a) There shall be deposited in the Clean Water Account of the Reserve Fund: (i) all moneys required to be deposited on the Date of Delivery from moneys on deposit in the reserve fund established for the benefit of the Series 2004 Bonds issued to finance wastewater projects described under the Clean Water Act; and (ii) any other moneys directed by the Board to be deposited in the Clean Water Account of the Reserve Fund.

(b) Moneys on deposit in the Clean Water Account of the Reserve Fund (other than earnings thereon, which shall be deposited in the Interest Component Subaccount of the Clean Water Account of the Revenue Fund) shall be (i) transferred to the Debt Service Fund to make payments on the Series 2014A Bonds as provided in the Series 2014A Bond Indenture, and (ii) used to make up any deficiencies in the Clean Water Account of the Debt Service Fund when the moneys there are insufficient to pay the principal of and interest on the Bonds when due; provided, that such transfers from the Clean Water Account of the Reserve Fund to the Clean Water Account of the Debt Service Fund as described in clause (ii) shall be made only after all transfers to the Clean Water Account of the Debt Service Fund from the Clean Water Account of the Revenue Fund and from the Deficiency Fund.

(c) The Board is under no obligation to maintain moneys in the Clean Water Account of the Reserve Fund in an amount in excess of the Clean Water Account Reserve Requirement. The Board is under no obligation to replace moneys withdrawn from the Clean Water Account of the Reserve Fund.

(d) The Trustee shall determine the market value of the assets in each Clean Water Account of the Reserve Fund established hereunder on each Payment Date or on such other date as principal is paid on the Series 2014A Bonds. As soon as practicable after each such valuation date, the Trustee shall furnish to the board a report of the status of each such account as of such date. In computing the value of assets in any such account, investments shall be valued at the fair market value thereof and shall include accrued but unpaid interest on each investment, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed part of such funds and accounts.

Flow of Funds

(a) On each Payment Date as reflected in the Series 2014A Bond Indenture, the Trustee shall transfer to the Debt Service Fund from moneys on deposit in the Clean Water Account of the Reserve Fund the amounts set forth in the Series 2014A Bond Indenture for payment of principal and interest due on the Series 2014A Bonds.

(b) On each Payment Date, the Trustee shall transfer Revenues from the Clean Water Account of the Revenue Fund to the credit of the following accounts and subaccounts in the amounts and in the priority as follows:

FIRST, from the Interest Component Subaccount of the Clean Water Account of the Revenue Fund amounts sufficient to pay principal and interest due on Clean Water State Match Bonds and deposit the same to the State Revenue Match Subaccount of the Clean Water Account of the Debt Service Fund.

SECOND, from the Clean Water Account of the Loan Fund all amounts received by the Board as income, profits or gains on investments credited to the Clean Water Account of the Revenue Fund, and deposit the same to the State Match Subaccount of the Clean Water Account of the Debt Service Fund.

THIRD, from the Interest Component Subaccount of the Clean Water Account of the Revenue Fund amounts sufficient to pay interest due on Clean Water Leveraged Bonds and deposit the same to the Leveraged Bond Subaccount of the Clean Water Account of the Debt Service Fund.

FOURTH, from the Principal Component Subaccount of the Clean Water Account of the Revenue Fund amounts sufficient to pay principal due on Clean Water Leveraged Bonds and deposit the same to the Leveraged Bond Subaccount of the Clean Water Account of the Debt Service Fund.

(c) If on any Payment Date, there are insufficient moneys on deposit in the respective Accounts and Subaccounts of the Revenue Fund, to pay the principal of and interest on the Allocable Portion of the Series 2014A Bonds then due, the Trustee shall immediately give notice to the Master Trustee of such deficiency. The notice shall certify the amounts required for each specific subaccount. The Trustee shall deposit moneys transferred by the Master Trustee from the Deficiency Fund and designated for deposit in the respective Accounts and Subaccounts of the Debt Service Fund in accordance with such designation.

Investments

Moneys in the Loan Fund, the Costs of Issuance Fund, the Revenue Fund (except for the Administrative Fee Subaccount), the Debt Service Fund and the Reserve Fund shall at all times be invested by the Trustee in Investment Securities, as directed by an Board Representative, maturing at such times and in such amounts as will make cash available for the purposes of such funds and accounts as needed, subject to the restrictions, if any, set forth in the Federal Tax Certificate. Net investment earnings on the funds and accounts (other than the Costs of Issuance Fund) shall be credited to the Clean Water Account of the Revenue Fund.

Non-Presentation of Bonds

Except as described in “Unclaimed Moneys”, below, in the event the Series 2014A Bonds shall not be presented for payment when the principal thereof becomes due, if funds sufficient to pay such Series 2014A Bonds shall be held by the Trustee for the benefit of the owner or owners thereof, all liability of the Board to the owner or owners thereof for the payment of such Series 2014A Bonds shall forthwith cease, determine and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the owner or owners of such Series 2014A Bonds, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Series 2014A Bonds.

Unclaimed Moneys

All moneys which the Trustee shall have withdrawn from the Debt Service Fund or shall have received from any other source and set aside for the purpose of paying any of the Series 2014A Bonds secured by the Series 2014A Bond Indenture shall be held in trust for the respective owners of such Series 2014A Bonds, but any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the owners of such Series 2014A Bonds for a period of four (4) years after the date on which such Series 2014A Bonds shall have become due and payable shall be paid to the Board; *provided, however*, that the Trustee, before making any such payment shall send a letter to the last known address for such Bondholders of the Series 2014A Bonds that said moneys have not been claimed and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the Board and thereafter the owners of such Series 2014A Bonds shall look only to the Board for payment and then only to the extent of the amount so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys.

Disposition of Funds and Accounts

After the payment in full of the principal of, premium, if any, and interest on the Series 2014A Bonds, or provision therefore has been made, as described under “Defeasance”, below, all moneys in all funds and accounts, other than moneys so held for the defeasance of Series 2014A Bonds, moneys on deposit in the Rebate Fund to be paid to the United States of America and moneys referred to in “Unclaimed Moneys”, above, shall be paid by the Trustee to the Master Trustee; *provided*, that if the Master Trust Agreement shall no longer be in effect, the Trustee shall transfer all such moneys to the State Treasurer for deposit in an account of the Water Resources Fund as designated by a Board Representative.

Payment of Principal and Interest

The Board covenants that it will promptly pay, solely out of the security, the principal of, premium, if any, and interest on every Series 2014A Bond issued under the Series 2014A Bond Indenture at the place, on the date and in the manner provided herein and in the Series 2014A Bonds according to the true intent and meaning thereof.

Performance of Covenants

The Board will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Series 2014A Bond Indenture, in any and every Series 2014A Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining to the Series 2014A Bonds and the Series 2014A Bond Indenture. The Board covenants that it is duly authorized under the Constitution and the laws of the State, including particularly and without limitation the Act, to issue the Series 2014A Bonds authorized hereby and to execute the Series 2014A Bond Indenture, to

pledge the Revenues and other funds described in the Series 2014A Bond Indenture and assigned and pledged hereby in the manner and to the extent herein set forth; that all action on its part for the issuance of the Series 2014A Bonds and the execution and delivery of the Series 2014A Bond Indenture has been duly and effectively taken; and that the Series 2014A Bonds, assuming the due authentication thereof by the Trustee, in the hands of the owners thereof will be valid and enforceable special, limited obligations of the Board according to the import thereof, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity.

Instruments of Further Assurance

The Board covenants, whenever and so often as reasonably required to do so by the Trustee, promptly to execute and deliver or cause to be delivered Supplemental Indentures and all such other and further instruments, documents or assurances, and to promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the owners of the Series 2014A Bonds all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Series 2014A Bond Indenture, including, without limitation, the Revenues and other funds pledged by the Series 2014A Bond Indenture to the payment of the principal of, premium, if any, and interest on the Series 2014A Bonds.

No Extension of Time of Payment of Interest

In order to prevent any claims for interest after maturity, the Board will not directly or indirectly extend or assent to the extension of time of payment of any claims for interest on any of the Series 2014A Bonds, and will not directly or indirectly be a party to or approve any such arrangement by purchasing or funding such claims for interest or in any other manner. In case any such claims for interest shall be extended or funded in violation of the Series 2014A Bond Indenture, such claims for interest shall not be entitled, in case of any default under the Series 2014A Bond Indenture, to the benefit or security of the Series 2014A Bond Indenture, except subject to the prior payment in full of the principal of all Bonds issued and Outstanding under the Series 2014A Bond Indenture, and of all claims for interest which shall not have been so extended or funded.

Bond Register

The Board shall have no responsibility with regard to the accuracy of the Bond Register. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Board or by the owners (or a designated representative thereof) of at least twenty-five percent (25%) in aggregate principal amount of the Series 2014A Bonds then Outstanding hereunder, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Assignment of Loan Agreements, Participant Obligations, Loan Repayments and Revenues

In accordance with the terms of the Series 2014A Bond Indenture, the Board has assigned and pledged to the Trustee its right, title and interest in the Loan Agreements (except as otherwise provided in the Indenture and the Loan Agreements), the Participant Obligations, the Loan Repayments and the Revenues for the benefit and security of the owners of the Series 2014A Bonds to secure the payment of the principal of, premium, if any, and interest on the Series 2014A Bonds when due and for payment of all sums due under the Series 2014A Bond Indenture and the punctual performance by the Board of all of its obligations under the terms and provisions of the Series 2014A Bond Indenture.

Rights Under Loan Agreements

The Loan Agreements set forth the covenants and obligations of the Board and the Participants. The Board agrees that the Trustee, in its name or in the name of the Board, may enforce all rights of the Board and all obligations of each Participant under and pursuant to each Loan Agreement or the related Participant Obligation for and on behalf of the owners of the Series 2014A Bonds, whether or not the Board is in default under the Series 2014A Bond Indenture or the Loan Agreements relating to the Series 2014A Bonds; *provided, however*, that the Trustee shall not be deemed to assume the Loan Agreements or the Participant Obligations, and shall have no obligations under the Loan Agreements or the Participant Obligations, except as expressly provided therein. The Board agrees to cooperate fully with the Trustee in any proceedings, or to join in or commence in its own name any proceedings, for the enforcement of the obligations of a Participant under and pursuant to the related Loan Agreement or the related Participant Obligation, if the Trustee shall so reasonably request, provided any costs of the Board (including without limitation the reasonable fees and expenses of attorneys) in connection therewith shall be paid out of the Trust Estate of the Series 2014A Bonds. The Board has retained its rights to enforce the Loan Agreements, and in that connection the Trustee will cooperate with the Board in the exercise of such remedies. If an event of default shall occur and be continuing under any Loan Agreement or any Participant Obligation, the Trustee may direct the Board to exercise its rights and remedies under such Loan Agreement or Participant Obligation.

Board's Obligation Limited

Nothing in the Series 2014A Bond Indenture or the Loan Agreements pertaining to the Series 2014A Bond Indenture is intended to require or obligate, nor shall be interpreted to require or obligate, the Board for any purpose or at any time whatsoever, to provide, apply, or expend any funds coming into the hands of the Board other than (a) the funds derived from the issuance of the Series 2014A Bonds under the Series 2014A Bond Indenture, (b) all Revenues and other moneys received pursuant to the Series 2014A Bond Indenture, the Loan Agreements or the Participant Obligations, and (c) moneys held in the funds and accounts under the Series 2014A Bond Indenture.

Release of Pledged Loans; Substitution of Pledged Loans; Prepayment of Pledged Loans

(a) Release of Loans. The Trustee, upon the written direction of the Board, may release Loans and the related Loan Agreements and Participant Obligations from the lien of the Series 2014A Bond Indenture, upon the satisfaction of the following:

(i) the delivery to the Trustee of an Officer's Certificate (A) to the effect that cash flow reports evidence the sufficiency of (1) available Revenues from the remaining Loans and interest earnings on investments for each Payment Date to pay not less than 1.0 times principal and interest coming due on the Series 2014A Bonds on each such Payment Date until maturity (2) available Revenues constituting interest payments only on the remaining Loans and interest earnings on investments for each Payment Date to pay not less than 1.0 times principal and interest coming due on the portion of the Series 2014A Bonds issued to finance state matching funds on each such Payment Date, (3) any and all available revenues for each Payment Date securing all outstanding Master Trust Bonds to pay not less than 1.1 times principal and interest coming due on all Master Trust Bonds on each such Payment Date, and (4) any and all available revenues (consisting of investment earnings and loan interest earnings securing all series indentures) for each Payment Date securing all portions of outstanding Master Trust Bonds issued to finance state matching funds to pay not less than 1.1 times principal and interest coming due on such portions of Master Trust Bonds on each such Payment Date (clauses (1), (2), (3), and (4)

being herein referred to as the “*Coverage Requirement*”) and (B) specifying the Loans to be released; and

(ii) the delivery to the Trustee of an amendment to the schedule of Loans attached to the Indenture (which amendment does not require the consent of the owners of the Series 2014A Bonds).

(b) Substitution of Loans. The Trustee, upon the written direction of the Board may release Loans and the related Loan Agreements and Participant Obligations and substitute one or more Loans for such Loan and related Loan Agreement and Participant Obligation upon the delivery to the Trustee of (i) the instruments described above under “Release of Loans,” provided that the substituted Loan or Loans shall be included in the calculation of the Coverage Requirement and (ii) confirmation from each Rating Agency then rating the Series 2014A Bonds that the proposed substitution will not result in a reduction or withdrawal of the then-applicable rating on the Series 2014A Bonds.

(c) Prepayment of Loans. The Board shall not consent to a Prepayment of a Loan unless the Board first delivers to the Trustee an Officer’s Certificate to the effect that the Coverage Requirement will be satisfied after taking into account such Prepayment. If the Board cannot deliver such Officer’s Certificate, then the Board may exercise its rights described above under “Substitution of Loans”.

Defaults; Events of Default

The following events constitute an “Event of Default” under the Series 2014A Bond Indenture:

(a) if default shall occur in the due and punctual payment of the principal of, premium, if any, or interest on any Series 2014A Bond; or

(b) if default shall be made by the Board in the observance of any of the covenants, agreements or conditions on its part in the Series 2014A Bond Indenture or in the Series 2014A Bonds contained, and such default shall have continued for a period of ninety (90) days after the Board shall have been given written notice of such default by the Trustee or by the owners of at least twenty-five percent (25%) in aggregate principal amount of the Series 2014A Bonds then Outstanding.

Remedies; Rights of Bondholders

(a) Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest on the Series 2014A Bonds then Outstanding, including any and all such actions arising under or by reason of the Loan Agreements or the Participant Obligations by causing the Board to exercise such rights and remedies under the Loan Agreements and Participant Obligations as the Trustee shall direct.

(b) If an Event of Default shall have occurred and be continuing the Trustee may, in its discretion, and if requested so to do by the owners of at least twenty-five percent (25%) in aggregate principal amount of the Series 2014S Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall, exercise such one or more of the rights and powers conferred by the Indenture as the Trustee shall deem most expedient in the interest of the owners of such Series 2014A Bonds.

(c) No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the owners of the Series 2014A Bonds) is intended to be exclusive of any other remedy, but each and

every such remedy shall be cumulative and shall be in addition to every other remedy given to the Trustee or to the owners of the Series 2014A Bonds hereunder or now or hereafter existing at law or in equity.

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

Waivers of Events of Default

The Trustee shall waive any Event of Default and its consequences upon the written request of the owners of a majority in aggregate principal amount of the Series 2014A Bonds then Outstanding; *provided*, that there shall not be waived without the consent of the owners of all such Series 2014A Bonds Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Series 2014A Bonds at their maturity or upon the redemption thereof, or (b) any Event of Default in the payment when due of the interest on any such Series 2014A Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Series 2014A Bonds on overdue installments of interest in respect of which such default shall have occurred, or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such Event of Default shall have been paid or deposited with the Trustee. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Board, the Participant, the Trustee, and the owners of such Series 2014A Bonds shall be restored to their former positions, rights and obligations hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Right of Bondholders to Direct Proceedings

The owners of a majority in aggregate principal amount of the Series 2014A Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Series 2014A Bond Indenture or for the appointment of a receiver or any other proceedings hereunder; *provided*, that such direction shall not be otherwise than in accordance with applicable provisions of law and of the Series 2014A Bond Indenture.

Rights and Remedies of Bondholders

No owner of any Series 2014A Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Series 2014A Bond Indenture or for the execution of any trust thereof or for any other remedy under such Series 2014A Bond Indenture unless a default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, and unless also such default shall have become an Event of Default and the owners of at least twenty-five percent (25%) in aggregate principal amount of the Series 2014A Bonds then Outstanding shall have made written request to the Trustee, and shall have provided it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name and unless also they have provided to the Trustee indemnity as provided in such Series 2014A Bond Indenture, and unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Indenture, or for any

other remedy hereunder; it being understood and intended that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the owners of all of the Series 2014A Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any owner of any Series 2014A Bond to enforce the payment of the principal of, premium, if any, and interest on such Series 2014A Bond at the time, place, from the source and in the manner herein and in such Series 2014A Bond expressed.

Application of Moneys in Event of Default

(a) Upon an Event of Default all moneys held or received by the Trustee pursuant to either Series 2014A Bond Indenture (other than moneys in the Costs of Issuance Fund, the Rebate Fund and arbitrage rebate, whether held in the Rebate Fund), the Loan Agreement or the Participant Obligation with respect to the defaulting Participant or pursuant to any right given or action taken under this Article shall, after payment of the reasonable costs and expenses, including those of the Trustee, in connection with the proceedings resulting in the collection of such moneys, shall be applied in the following order of priority, as follows:

First – To the applicable Debt Service Account, payment to the persons entitled thereto of all installments of interest then due and payable on the Series 2014A Bonds, in the order in which such installments of interest became due and payable, with interest thereon at the rate or rates specified in the Series 2014A Bonds to the extent permitted by law, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

Second – To the applicable Debt Service Account, payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Series 2014A Bonds that shall have become due and payable (other than Series 2014A Bonds called for redemption for the payment of which moneys or securities are held pursuant to the Series 2014A Bond Indenture), in the order of their due date, with interest on such principal and premium, if any, at the rate or rates specified in the Series 2014A Bonds from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with such interest, then to the payment ratably, according to the amounts of principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege;

Third – To the payment of the reasonable expenses, liabilities and advances incurred or made by the Trustee, other than those incurred in connection with the proceedings resulting on the collection of such moneys; and

Fourth – The balance to the Master Trustee for deposit to the Deficiency Fund (as defined in the Master Trust Agreement).

(b) Whenever moneys are to be applied pursuant to the Series 2014A Bond Indenture, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

(c) Whenever all of the Series 2014A Bonds have been paid under this Section, and all expenses and charges of the Trustee and the Board have been paid, any balance shall be paid to the Master Trustee for deposit in the Deficiency Fund or to the Board as provided in the Series 2014A Bond Indenture.

Notice of Default

The Trustee shall not be required to take notice or be deemed to have notice of any default under the Series 2014A Bond Indenture, except the failure by any Participant to make a Loan Payment under the related Loan Agreement and the related Participant Obligation or the failure by the Board to cause to be made any of the payments to the Trustee required to be made by Article IV of the Series 2014A Bond Indenture, unless the Trustee shall be specifically notified in writing of such default by the Board or by the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2014A Bonds then Outstanding; and all notices or other instruments required by the Series 2014A Bond Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

Indemnity

Before taking any action under the Series 2014A Bond Indenture, other than any action under Article II of the Series 2014A Bond Indenture, the payment of principal of, premium, if any, and interest on the Series 2014A Bonds and the declaration of default, the Trustee may, in its discretion, require that satisfactory indemnity be furnished to it by the owners of such Series 2014A Bonds or other parties for the reimbursement of all expenses which it may incur or advance and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

Successor Trustee

Any corporation into which the Trustee may be merged or with which it may be consolidated or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation resulting from any such merger, consolidation or transfer to which it is a party, *ipso facto*, shall be and become successor Trustee under the Series 2014A Bond Indenture and vested with all of the title to the related Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything in the Series 2014A Bond Indenture to the contrary notwithstanding; *provided*, that the representations contained in such Series 2014A Bond Indenture regarding the Trustee are still true and correct after such merger, consolidation or sale.

Removal of Trustee

The Trustee may be removed (i) at the option of the Board (provided no Event of Default has occurred and is continuing), or (ii) by the owners of a majority in aggregate principal amount of the Series 2014A Bonds then Outstanding, in each case by an instrument or concurrent instruments in writing delivered to the Trustee and, in the event of a removal by owners of such Series 2014A Bonds, to the Board.

Effective Date for Resignation or Removal

No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the successor Trustee has accepted its appointment under the Series 2014A Bond Indenture.

Appointment of Successor Trustee by the Board or the Bondholders; Temporary Trustee

In case the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the Series 2014A Bond Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Trustee may be appointed by the Board (in the case of removal by the Board), or by the owners of a majority in aggregate principal amount of the Series 2014A Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their legal representatives duly authorized; *provided*, nevertheless, that in case of such vacancy the Board by an instrument executed and signed by its Chairman, Vice Chairman or Executive Director and attested by its Secretary or any Assistant Secretary under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the owners of such Series 2014A Bonds in the manner above provided; and any such temporary Trustee so appointed by the Board shall immediately and without further act be superseded by the Trustee so appointed by such owners of such Series 2014A Bonds. Every such Trustee appointed shall be a trust company or bank organized and doing business under the laws of the United States of America or any state thereof, subject to supervision or examination by federal or state regulatory board, having, or be wholly owned by an entity having, a reported capital and surplus of not less than \$50,000,000, having an operations group of at least four (4) experienced trust officers with primary responsibility for municipal bond issues, and administering at least twenty-five (25) municipal bond indentures aggregating at least \$25,000,000 under its administration, if there be such an institution willing, qualified and able to accept the trusts under the Series 2014A Bond Indenture upon reasonable and customary terms. In the event that a successor Trustee has not been appointed within sixty (60) days of such resignation, removal, dissolution or notice of dissolution or liquidation, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Supplemental Indentures Not Requiring Consent of Bondholders

The Board and the Trustee may without the consent of, or notice to, any of the owners of the Series 2014A Bonds, enter into an indenture or indentures supplemental to the Series 2014A Bond Indenture which shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission therein;
- (b) to grant to or confer upon the Trustee for the benefit of the owners of the Series 2014A Bonds any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the owners of such Series 2014A Bonds or the Trustee or either of them;
- (c) to subject to the lien and pledge of the Series 2014A Bond Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Series 2014A Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification of such Series 2014A Bond Indenture or any indenture supplemental thereto under any Federal statute hereafter in effect or under any state Blue Sky Law, and, in connection therewith, if they so determine, to add to such Series 2014A Bond Indenture

or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted or required by any such Federal statute or Blue Sky Law; *provided*, that any such indenture supplemental thereto referred to in this subsection (d) shall not, in the judgment of the Trustee, which may rely on an opinion of counsel, be to the prejudice of the owners of the Series 2014A Bonds;

(e) to modify, amend or supplement the Series 2014A Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Series 2014A Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Series 2014A Bonds for sale under the securities laws of any state of the United States of America;

(f) to release Loans from the lien of the Series 2014A Bond Indenture as permitted thereby;

(g) to evidence the appointment of a separate trustee or the succession of a new Trustee under the Series 2014A Bond Indenture or a successor to the Bond Registrar; or

(h) to make any other change which, in the sole judgment of the Trustee, does not materially adversely affect the interests of the owners of the Series 2014A Bonds. In exercising such judgment the Trustee may rely on the opinion of such counsel as it may reasonably select.

Supplemental Indentures Requiring Consent of Bondholders

(a) Except for indentures supplemental to the Series 2014A Bond Indenture authorized thereby and subject to the further provisions as described below, and not otherwise, the owners of at least two-thirds in aggregate principal amount of the Series 2014A Bonds then Outstanding shall have the right from time to time, anything contained in the Series 2014A Bond Indenture to the contrary notwithstanding, to consent to and approve the execution by the Board and the Trustee of such other indenture or indentures supplemental thereto as shall be deemed necessary and desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in such Series 2014A Bond Indenture or in any indenture supplemental thereto. Nothing contained in this Section shall permit, or be construed as permitting, without the consent of the owners of all the Series 2014A Bonds then Outstanding (i) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of payment of interest on, any such Series 2014A Bonds, or (ii) the creation of any lien on the Revenues and other funds pledged under the Series 2014A Bond Indenture prior to or on a parity with the lien thereof, or (iii) a reduction in the aforesaid aggregate principal amount of such Series 2014A Bonds the owners of which are required to consent to any such indenture supplemental thereto. No such amendment shall modify the rights, duties or immunities of the Trustee without the written consent of the Trustee.

(b) If at any time the Board shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes described herein, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to the Rating Agencies and to each owner of the Series 2014A Bonds Outstanding as shown by the Bond Register by United States mail, first class, postage prepaid. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all owners of such Series 2014A Bonds. If, within ninety (90) days or such longer period as shall be prescribed by the Board following the mailing of such notice, the owners of at least two-thirds in aggregate principal amount of the Series 2014A Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no owner of any such Series 2014A Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the

execution thereof, or to enjoin or restrain the Trustee or the Board from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided by the Series 2014A Bond Indenture, the Series 2014A Bond Indenture shall be and be deemed to be modified and amended in accordance therewith.

(c) The Trustee may rely upon an opinion of counsel as conclusive evidence that any Supplemental Indenture entered into by the Board and the Trustee complies with the provisions of Article VIII of the Series 2014A Bond Indenture.

Supplemental Loan Agreements

The Board may enter into any Supplemental Loan Agreement without the prior written consent of the Trustee, which does not in any manner lessen, postpone or restrict the pecuniary obligation of the Participant under the Loan Agreement. The Trustee may consent to any Supplemental Loan Agreement which lessens, postpones or restricts the pecuniary obligation of the Participant under the Loan Agreement if the Board delivers to the Trustee an Officers' Certificate to the effect that cash flow reports evidence the sufficiency of available revenues to meet the Coverage Requirement set forth in the Indenture. The Board shall furnish the Trustee a copy of such a Supplemental Loan Agreement prior to its execution. Such consent by the Trustee shall not be unreasonably withheld.

Defeasance

(a) When all of the Series 2014A Bonds shall have been paid and discharged and the Board shall have paid or caused to be paid all other sums payable under the Series 2014A Bond Indenture by the Board, then the requirements contained in such Series 2014A Bond Indenture and the pledge of security made thereunder and all other rights granted thereby shall terminate. Series 2014A Bonds shall be deemed to have been paid and discharged within the meaning of the Series 2014A Bond Indenture if there shall have been deposited with the Trustee, or other bank or trust company, having full trust powers and meeting the requirements of a successor Trustee thereunder impressed with a first lien to the Trustee for the benefit of the owners of the Series 2014A Bonds,

(i) at or prior to the maturity or redemption date of said Series 2014A Bonds, in trust for and irrevocably appropriated thereto, moneys and/or non-callable Federal Securities which, together with the interest to be earned on any such obligations, as evidenced by the written report of an independent certified public accountant, will be sufficient for the payment of the principal of said Series 2014A Bonds, the premium thereon, if any, and interest to accrue to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments, *provided, however*, that if any such Series 2014A Bonds shall be redeemed prior to the maturity thereof,

(1) the Board shall have elected to redeem such Series 2014A Bonds, and

(2) either notice of such redemption shall have been given, or the Board shall have given irrevocable instructions to the Trustee to redeem such Series 2014A Bonds, and

(ii) an opinion of Bond Counsel addressed to the Board and the Trustee to the effect that providing for the payment of such Series 2014A Bonds by depositing such moneys and/or Federal Securities with the Trustee in accordance with this Section will not cause the interest on such Series 2014A Bonds to be included in gross income of the owners for federal income tax purposes.

(b) Any moneys and obligations which at any time shall be deposited with the Trustee or other bank by or on behalf of the Board, for the purpose of paying and discharging any of the Series 2014A Bonds, shall be assigned, transferred and set over to the Trustee or other bank or trust company in trust for the respective owners of such Series 2014A Bonds, and such moneys shall be irrevocably appropriated to the payment and discharge of the Series 2014A Bond Indenture. All moneys deposited with the Trustee or other bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Series 2014A Bond Indenture.

(c) Series 2014A Bonds for the payment of which moneys and/or Federal Securities shall have been deposited with the Trustee or such other bank or trust company (whether upon or prior to the maturity of such Series 2014A Bonds) shall be deemed to be paid and no longer Outstanding.

Disposition of Trust Estate

Upon the payment or provision for payment of all Series 2014A Bonds as described in “Defeasance”, above, the Trustee shall execute and deliver to the Board such instruments in writing as shall be requisite to cancel and discharge the lien thereof, and, subject to the provisions of the Series 2014A Bond Indenture described under “Disposition of Funds and Accounts”, above, shall reconvey, release, assign and deliver the estate, right, title and interest in and to all property conveyed, assigned or pledged to the Trustee or otherwise subject to the lien of the Series 2014A Bond Indenture, except amounts in the Debt Service Fund, to such person or persons as shall be directed by the Master Trustee with the written approval of the Board.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF A STANDARD FORM OF THE LOAN AGREEMENT

The following, in addition to the information provided elsewhere in the Official Statement, summarizes certain provisions of the form of the Loan Agreement to be entered into by the Oklahoma Water Resources Board (herein, "OWRB") and each eligible local governmental entity that becomes a "Borrower" under the CWSRF Program or the DWSRF Program. Reference should be made to each specific Loan Agreement, copies of which will be available for inspection at the corporate trust office of the Trustee, for a full and complete statement of its terms.

Definitions

The following terms, except where the context indicates otherwise, shall have the respective meanings set forth below:

"Accountant" shall mean an independent certified public accountant or firm of independent certified public accountants of recognized standing qualified to perform the duties required in this Loan Agreement.

"Application for Funding" shall mean the Borrower's Application for Funding No. _____ to the OWRB for a loan for the purpose of financing the Project.

"Consulting Engineer" shall mean an independent consulting engineer or firm of independent consulting engineers retained by the Borrower, designated in the Application for Funding and acceptable to the DEQ, and qualified to perform the duties required in the Loan Agreement.

"DEQ" shall mean the Oklahoma Department of Environmental Quality.

"Existing Indebtedness" shall mean any existing obligations of the Borrower payable from the Revenues pledged by the Borrower to the payment of the debt service requirements of the Loan.

"Local Act" shall mean an official action of the Borrower taken in accordance with applicable ordinances or rules of the Borrower and laws of the State.

"Local Trustee" shall mean _____, a commercial banking entity, with corporate trust powers domiciled in the State, experienced and qualified to act as a corporate trustee, selected by the Borrower, and approved by the OWRB to serve as trustee for the Borrower pursuant to the Loan Agreement.

"Mortgage" shall mean the Mortgage With Power of Sale and Security Agreement dated _____, 201_, by the Borrower in favor of the OWRB.

"Net Revenues Available for Debt Service" shall mean the Revenues of the System less: (a) any amounts required to replenish the debt service reserve fund established in regard to any Existing Indebtedness; and (b) the Operation and Maintenance Expenses of the System [except that (1) interest on any debt payable from the Revenues of the System and any other revenue source pledged to payment of the Note, (2) depreciation and any other items not requiring the expenditure of cash, (3) any amounts expended for capital replacements, repairs, and maintenance not recurring annually (or at shorter intervals) or reserves therefor, and (4) reserves for administration, operation, and maintenance occurring in the normal course of business, shall not be included as "Operation and Maintenance Expenses" for purposes of this definition], plus any other Revenues pledged to payment of the Note.

“Note” shall mean the Series 201__ Clean Water [Drinking Water] SRF Promissory Note to Oklahoma Water Resources Board to be issued by the Borrower pursuant to the Act, as amended, to evidence the Loan and which obligation will be purchased by the OWRB in accordance with the provisions of the Loan Agreement.

“Operation and Maintenance Expenses” shall mean the costs of operating and maintaining the System pursuant to generally accepted accounting principles.

“Project” shall mean the wastewater system improvements or drinking water treatment system improvements, all as described in the Application for Funding, to be constructed, modified, expanded, or refinanced by the Borrower with, among other funds, the proceeds of the Loan.

“Project Costs” shall mean in connection with the Project or any future project, together with any other proper cost items not specifically mentioned herein, all costs of acquiring, constructing, furnishing, equipping, and financing the Project as specified on Exhibit “D” attached hereto, including but not limited to: obligations incurred for labor and materials and to contractors, builders, and materialmen; restoration or relocation of property damaged or destroyed in connection with such construction; premiums on contractors’ performance, payment, and completion bonds if required; the cost of machinery, equipment, or supplies purchased by the Borrower for inclusion as part of the System; fees, compensation, and expenses of the Borrower for services rendered during said period; taxes, fees, charges, and expenses due and payable in connection with the Project, the financing thereof, or the issuance of and security for bonds or notes; premiums on insurance in connection with the Project, the financing thereof, or the issuance of and security for bonds or notes; premiums on insurance in connection with the construction of additions to the System; costs of architects’ and engineers’ services; all costs incident to and properly allocable to the acquisition, equipping, and construction of the Project and placing of the same in operation; capitalizing principal and interest requirements and any reserve funds for any bonds or notes; legal, financing, financial, administrative, accounting, printing, and recording expenses and fees; and the fees and expenses of bond counsel.

“Replacement Costs” shall mean expenditures for obtaining and installing equipment, accessories, or appurtenances during the useful life of the treatment works necessary to maintain the capacity and performance for which such works are designed and constructed, excluding capital replacements, repairs, and maintenance not recurring annually (or at shorter intervals) or reserves therefor.

“Revenues” (as used in the Loan Agreement) shall mean: (i) all rates, fees, rentals, other charges, income, and moneys properly allocable to the System in accordance with generally accepted accounting principles resulting from the ownership and/or operation of the System, excluding customer deposits and any other deposits subject to refund until such deposits have become the property of the Borrower; (ii) the proceeds of any insurance covering business interruption loss relating to the System; and (iii) any other moneys from other sources pledged by the Borrower to the payment of debt service requirements of the Note. Such Revenues derived from the System shall, unless precluded by restrictions relating to Existing Indebtedness of the Borrower, be dedicated for payment of debt service requirements of the Loan prior to payment of Operation and Maintenance Expenses of the System.

“Sales Tax Agreement” [if applicable] shall mean the _____.

“Security Agreement” shall mean the Security Agreement dated _____, 200_, by and between the Borrower, as “Debtor,” and the OWRB, as “Secured Party.”

“System” shall mean collectively the _____ now or hereafter owned or operated by the Borrower, the proceeds from the operation of which are pledged to the payment of the Note.

“Trustee Bank” shall mean _____, Oklahoma City, Oklahoma, and any successor entity meeting the qualifications prescribed in the applicable Bond Indenture and selected to perform the duties as Trustee Bank for the OWRB set out in the applicable Bond Indenture.

Disbursement of Loan

The OWRB shall cause the Trustee Bank to disburse proceeds of the Loan to the Borrower only for incurred Project Costs and in accordance with [CWSRF] [DWSRF] Program procedures. The Borrower shall submit certified requests for disbursement of loan proceeds to the [OWRB] [DEQ] on ORF-271 forms. The requests shall be accompanied by such invoices or other documentation as may be required by the DEQ to demonstrate that such amounts have been incurred by or on behalf of the Borrower for the payment of Project Costs. Upon approval by the OWRB and DEQ, the OWRB shall provide for disbursement of the loan proceeds to the Borrower in an expeditious and timely manner.

Should the construction of the Project not be completed within thirty (30) days prior to third anniversary of the Issuance Date of the Bonds, any proceeds of which were used to fund all or any portion of the Loan, the OWRB shall transfer to the Borrower on or before the third anniversary of such Issuance Date from the remaining proceeds of such Bonds an amount no greater than the unfunded balance of the Loan.

Repayment of Loan

According to EPA requirements for the [Clean Water] [Drinking Water] SRF Financing Program, (x) the Note must be fully amortized and repaid no later than thirty (30) years after the date construction of the Project is completed, and (y) the Borrower must commence repayment of principal no later than one (1) year after the date construction of the Project is completed. Accordingly, the parties agree that the Note shall mature on the earlier of (i) the March 15 or September 15 next preceding the date which is thirty (30) years after completion of construction of the Project as certified to the OWRB by the Borrower, or (ii) _____. The outstanding principal balance of the Note, together with all accrued, but unpaid, interest and administrative fees shall be due and payable in full on said maturity date. The Note shall contain other provisions set forth in Exhibit “B” attached hereto and made a part hereof.

The Borrower shall pay to the OWRB or the Trustee Bank (as directed by the OWRB) interest on the Loan at the rate of _____% per annum, plus an administrative fee at the rate of 0.5% per annum, all on the outstanding balance of disbursed loan proceeds. Interest and the administrative fee shall be computed on the basis of a year of 360 days and the number of actual days elapsed. The interest and administrative fee payments shall be made on a semi-annual basis, commencing on _____ and continuing each March 15 and September 15 thereafter for the term of the Loan. The Borrower shall commence repayment of principal on the earlier of (i) the March 15 or September 15 next following the date the Project is completed, as certified to the OWRB by the Borrower, or (ii) _____ and shall continue to repay principal semiannually for the term of the Loan according to the Amortization Table to be provided by the OWRB as described hereinbelow; provided, the Borrower shall commence repaying principal to the OWRB as provided in the Preliminary Principal Payment Schedule as set forth on Schedule “A” to the Note, until such time as the OWRB provides the final Amortization Table to the Borrower and the Local Trustee as set forth below. After the Project is completed and the Borrower has certified to the OWRB that all Project Costs have been paid, then the OWRB shall produce and provide to the Borrower and the Local Trustee an Amortization Table which reflects the total amount of principal advanced under the Note less any principal payments already received, plus interest and administrative fees due and payable. [The amortization table will provide to the extent possible for the payment of level debt service payments on the Note.] The amortization table will be attached as Schedule “A” to the Note at the time it is provided by the OWRB to the Borrower and the Local Trustee, and shall replace and supersede the Preliminary Principal Payment Schedule in all respects, and will require no further action or approval by the Borrower or the

governing body of _____. In the event the Borrower defaults in the payment of any of its required payments to the OWRB or the Trustee Bank, the amount of such default shall bear interest at the rate of fourteen percent (14%) per annum, from the date of the default until the date of payment thereof. In the event any due date for payment of any installment of principal, interest, or administrative fee shall not be a regular business day, then such date for payment of principal, interest, or administrative fee shall be the immediately preceding business day.

Pledge of Revenues

The Borrower, as one of the further conditions of the OWRB making the Loan and as authorized by the Local Act, hereby pledges, grants a security interest in, and dedicates the Revenues derived from the operation of the System [NOTE: also recite any additional revenues pledged, e.g. Sales tax] (said security interest in Revenues, as defined herein, being _____ [on a parity/subordinate] in all respects to the security interest in said Revenues securing the Borrower's Existing Indebtedness) to the repayment of the Loan. The Loan is further secured according to the terms and conditions of the _____ [Indenture/Mortgage/Security Agreement or other additional security].

Application of Revenues

[Subject to provisions of Existing Indebtedness] Revenues generated from the operation of the System will be used monthly: (i) first, to provide debt service on the Note [and, if appropriate, other indebtedness payable from such revenues on a parity with the Note], (ii) second, to pay Operation and Maintenance Expenses of the System, and (iii) third, to make payments, if required, to replenish any amount drawn from any OWRB debt service reserve fund for the benefit of the Borrower or to replenish the minimum required balance of the reserve of the Borrower relating to Note payments and other System indebtedness. So long as there shall exist any outstanding balance on the Note, the gross revenues of the System shall always be used to satisfy the requirements reflected above, and after satisfying the requirements set forth herein, such revenues may be utilized by the Borrower for any legal purpose.

Certain Covenants of the Borrower

As further conditions of the OWRB making the Loan, the Borrower covenants, agrees, and represents as follows:

(A) The Borrower agrees and represents that it shall comply with all applicable requirements of Federal and State law and authority.

(B) The Borrower will expeditiously proceed with and complete the Project in accordance with Project plans and specifications approved by the [OWRB] [DEQ].

(C) The Borrower agrees to operate and maintain the System in good condition, or will cause the City to operate and maintain the System in good condition.

(D) The Borrower's schedule of rates or charges for the services of the System shall be sufficient to provide funds which, together with other revenues pledged under the Local Act, will provide Net Revenues Available for Debt Service equal to at least 125% of the maximum annual amount required for debt service on all obligations secured by a lien on the Revenues which is senior to the lien on the Revenues securing the Note or on a parity with the lien on said Revenues securing the Note (the "Rate Covenant"); provided, the schedule of rates or charges for the services of the System shall always be at least sufficient to provide moneys to pay the Operation and Maintenance Expenses of the System without consideration of any other revenue source;

(E) The Borrower shall provide the OWRB at the time of Loan closing with a certificate of an Accountant or Consulting Engineer reflecting that the Net Revenues Available for Debt Service will satisfy the Rate Covenant. Subsequent to the date of the Loan, the Borrower shall not issue any other obligations payable from the Revenues, except (i) subordinate obligations without limitation and (ii) obligations on a parity with Existing Indebtedness or obligations on a parity with the Note. Any such Additional Indebtedness shall be issued only if (x) any applicable provisions of Existing Indebtedness and (y) the borrower shall provide the OWRB with a certificate of an Accountant or Consulting Engineer reflecting that the Net Revenues Available for Debt Service will satisfy the Rate Covenant.

(F) In the event, for any reason, the Revenues as set forth in the Application for Funding shall prove to be insufficient to produce the minimum sums set forth in clause (D) above, the Borrower hereby covenants and agrees that it will upon notice by the OWRB or the Trustee Bank, to the extent or in the manner authorized by law, within thirty (30) days of receipt of such notice, adjust and increase such rates, fees, and charges or the source of additional collateral so as to provide funds sufficient to produce the minimum sums set forth in clause (D) above;

(G) The Borrower acknowledges that the OWRB may assign all or a portion of its rights under the Note and this Loan Agreement, and hereby irrevocably covenants and agrees that in the event of any default hereunder by the Borrower, upon the occurrence of such event, the Trustee Bank or the OWRB may exercise any or all of the rights and powers provided by law, including without limitation, the right to directly impose, enforce, and collect charges upon users of the System;

(H) The Borrower will not render any free services of the System except to its beneficiary. In the event the Borrower owns or leases the System, it shall, to the fullest extent permitted by law, discontinue or shut off or cause to be discontinued or shut off the services and facilities of the System to all delinquent users of services of the System and will not restore or cause to be restored such services until all delinquent charges for the services of such System have been fully paid. The Borrower will not grant any franchise to provide any services which would compete with the System, and further, to the extent authorized by the laws of the State, the Borrower shall require prospective users of the System to connect thereto;

(I) The Borrower agrees that the System may not be sold, leased, or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be at least sufficient to fully pay the Note; provided, however, the OWRB may approve the release from the lien created hereunder of any portion of the System which in its discretion is not needed to secure payment of the Note and does not adversely impact the Borrower's ability to pay same;

Prepayment of Loan

It being the intent of the OWRB to ensure that sufficient moneys are available to retire a commensurate amount of the Bonds in the event of prepayment of any Note, the Borrower will not redeem the Note in part or in full without the prior written consent of the OWRB, which consent shall not be unreasonably withheld, and any such redemption authorized by the OWRB shall provide for the payment of a sum sufficient to pay the principal and interest requirements of the Loan and/or principal, interest, premium, if any, and any fees to be paid upon the redemption by the OWRB of the appropriate amount of the Bonds represented by the outstanding balance of the Loan at the time of such redemption. Nothing in this Loan Agreement shall be construed to prohibit the OWRB from refunding any of its obligations including, but not limited to the Bonds, and any such refunding need not be based upon or result in any benefit to the Borrower.

In the event that the Loan should at any time be determined to be a “private activity bond” under the Internal Revenue Code of 1986, as amended, Borrower agrees to prepay the Loan in full, in accordance with written directions of the OWRB.

Events of Default

Each of the following events is hereby declared an “Event of Default”:

- (A) The interest or administrative fee on the Loan is not paid punctually when due; or
- (B) The principal of the Loan is not paid punctually when due, whether at the stated maturity thereof, or upon proceedings for redemption or prepayment thereof, or upon the maturity thereof by declaration; or
- (C) This Loan Agreement is terminated or for any reason declared invalid or unenforceable in any material respect by or against the Borrower; or
- (D) Default by the Borrower in the due and punctual performance of any other of the covenants, conditions, agreements, and provisions contained in the Note or in this Loan Agreement on the part of the Borrower to be performed, and such default shall continue for ninety (90) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Borrower by the OWRB; or
- (E) If an order, judgment, or decree shall be entered by any court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Borrower or the whole or any substantial part of the System, (b) approving a petition filed against the Borrower under the provisions of Chapter 9 of Title 11 of the United States Code, as amended (the “Bankruptcy Code”), (c) granting relief substantially similar to that afforded by said Chapter 9, or (d) assuming custody or control of the Borrower or of the whole or any substantial part of the System under the provisions of any law for the relief or aid of debtors and such order, judgment, or decree shall not be vacated or set aside or stayed (or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated), within sixty (60) days from the date of the entry of such order, judgment, or decree; or
- (F) If the Borrower shall (a) admit in writing its inability to pay its debts generally as they become due, (b) file a petition in bankruptcy or seeking a composition of indebtedness, (c) make an assignment for the benefit of its creditors, (d) consent to the appointment of a receiver of the whole or any substantial part of the System, (e) file a petition or an answer seeking relief under any amendment to said Bankruptcy Code which shall give relief substantially the same as that afforded by said Chapter 9, or (f) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the Borrower or of the whole or any substantial part of the System.

The word “default” where used above shall mean failure of performance when due, exclusive of any period of grace required to correct any such failure.

Remedies

(A) Upon the occurrence of an Event of Default, the OWRB, acting by and through the Attorney General of the State of Oklahoma, and the Trustee Bank shall have all the rights and remedies at law or equity as may be allowed by law, or pursuant to the provisions of this Loan Agreement, including but not limited to, suit for specific performance of any or all of the covenants of the Borrower contained in this Loan Agreement or in the Note; acceleration of the payment of principal of and interest accrued on

the Note; appointment of temporary trustees to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest and administrative fees on the Note and any other Borrower indebtedness; or suit at law or equity to enforce or enjoin the action or inaction of parties under the provisions of this Loan Agreement.

(B) The Borrower hereby acknowledges its understanding of the various provisions of this Loan Agreement vesting in the OWRB and the Trustee Bank certain powers, rights, and privileges in the event of default by the Borrower of any of its obligations or responsibilities under the terms and conditions hereof and the Borrower hereby covenants and agrees that it shall take no action of any nature whatsoever calculated to inhibit, nullify, void, or delay such action of the OWRB or the Trustee Bank in the due and prompt implementation of this Loan Agreement.

Discontinuance of Proceedings

In case any proceeding taken by the OWRB or the Trustee Bank on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the Borrower, the OWRB, and the Trustee Bank shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers, and duties of the OWRB and the Trustee Bank shall continue as though no proceeding had been taken.

Appointment of Receiver

Upon the occurrence of an Event of Default or in the event of the appointment of a receiver for the Borrower or for any part of the System, or in the event bankruptcy proceedings are instituted by or against the Borrower, or in the event the Borrower makes an assignment of a substantial part of its assets for the benefit of its creditors, or in the event the Borrower fails to strictly and promptly comply with any of its covenants and agreements in this Loan Agreement, or to strictly and promptly perform any provisions hereof (after the OWRB or the Trustee Bank has first given ten (10) days written notice to comply therewith and upon failure of the Borrower so to comply within said ten (10) day period), or in the event the priority of the pledge and assignment of the Revenues is not at all times fully maintained upon and with respect to the System and every part thereof, or in the event the Borrower is found or adjudged not to be regularly seized of an indefeasible right in and to any part of the System which it purports herein to possess, or in the event the Borrower is found or adjudged not to have had good right and full power and authority to encumber the System or any part thereof in the manner hereby contemplated, then and in any such event, the OWRB and/or the Trustee Bank shall be entitled at its option and election and without prior notice to or demand upon the Borrower to have or cause to be appointed a receiver or temporary trustee or trustees for the Borrower to take over, operate, and maintain the System on a profitable basis and ensure the payment of the principal of and interest on the Note and any other Borrower indebtedness. Every appointment shall be in writing or shall be made pursuant to an action filed in a court of competent jurisdiction and shall specify the default or defaults existing hereunder whereby the power of appointment hereby granted is involved, and shall designate, by name, the person or persons to be such receiver or temporary trustee or trustees and the officers, servants, or employees of the Borrower so supplanted shall ipso facto cease to have any power or authority under this Loan Agreement.

The receiver or temporary trustee or trustees shall receive a reasonable fee for services rendered in an amount fixed by the OWRB, the Trustee Bank, or court to be paid from the Revenues of the System. In the event of any vacancy in the office or position of any receiver or temporary trustee or trustees, no officer, servant, or employee of the Borrower so supplanted shall be entitled to act on behalf of the Borrower under this Loan Agreement by reason thereof, but such vacancy shall continue to exist until some person be appointed as temporary receiver or trustee under this Section. Notice of the written appointment of any receiver or temporary trustee or trustees hereunder shall be sent by registered mail to

the OWRB. Upon the curing of the default or defaults pursuant to which any receiver or temporary trustee or trustees shall have been appointed, and if there shall not be then any default under any of the provisions of this Loan Agreement, the Borrower may give written notice to the OWRB, the Trustee Bank, or court of the curing of said default or defaults and the non-existence of any other defaults hereunder, and upon the delivery of said notice to the OWRB, the Trustee Bank, or court and its acquiescence therein, the receiver or temporary trustee or trustees appointed hereunder shall ipso facto cease to have any power or authority hereunder, and the Borrower shall be reinstated with all rights and powers to the same extent as though a receiver or temporary trustee or trustees had not been appointed.

During the period of continuance of any default hereunder, the receiver or temporary trustee or trustees appointed as provided herein shall take charge of the System for the purpose of collecting the Revenues thereof, for the purpose of exercising all rights and remedies conferred by this Loan Agreement, and for the purpose of doing all things necessary to assure the most remunerative use of the System. Any trustee or receiver of the System, whether appointed by the OWRB, the Trustee Bank, or court, shall be appointed and serve pursuant to this section. The rights and protection of the OWRB set out herein is essential to their security, and receivership and trusteeship procedures hereunder shall be exclusive. All Revenues shall be deposited and disposed of in accordance with the provisions of this Loan Agreement; provided, however, that the appointment of any receiver or temporary trustee or trustees pursuant to the provisions of this section shall not be construed as curing or waiving any default hereunder and, notwithstanding any such appointment of any receiver or temporary trustee or trustees, the OWRB and/or the Trustee Bank may enforce any other remedy herein provided.

Other Remedies

Upon the occurrence of an Event of Default, the OWRB and/or the Trustee Bank may, as an alternative, either after entry or without entry, pursue any available remedy by suit at law or equity to enforce the payment of the principal of and interest and administrative fees on the Note then outstanding, including, without limitation, mandamus.

Remedies Not Exclusive

No remedy by the terms of this Loan Agreement conferred upon or reserved to the OWRB and/or the Trustee Bank is intended to be exclusive of any other remedy, but each and every remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or existing at law or in equity or by statute on or after the date of execution and delivery hereof.

APPENDIX E

FORM OF BOND COUNSEL OPINION

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P.,
Bond Counsel, upon the delivery of the Series 2014A Bonds,
assuming no material changes in facts or law.*

**OKLAHOMA WATER RESOURCES BOARD
REVOLVING FUND REVENUE REFUNDING BONDS,
TAXABLE SERIES 2014A (MASTER TRUST),
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$55,560,000**

AS BOND COUNSEL for the Oklahoma Water Resources Board, the issuer (the “Issuer”) of the Bonds described above (the “Bonds”), we have examined into the legality and validity of the issue of the Bonds, which bear interest from the date, mature on the dates, and are subject to redemption, all as specified on the face of the Bonds, all in accordance with the resolution of the Issuer authorizing the issuance of the Bonds (the “Authorizing Resolution”).

THE BONDS are issued and are equally secured as to payment of principal and interest under a Master Trust Agreement dated as of October 1, 2003, between the Issuer and BancFirst, as Master Trustee (the “Master Trust Agreement”), and a Bond Indenture dated as of March 1, 2014, between the Issuer and BancFirst, as Trustee (the “Bond Indenture”). Terms used herein and not otherwise defined shall have the meaning given in the Master Trust Agreement and the Bond Indenture.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Oklahoma, specifically Title 82 Oklahoma Statutes 2011, Sections 1085.51-1085.84A, as amended (the “Act”), and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Issuer is duly created and validly exists as a body corporate and politic and instrumentality, agency and department of the State of Oklahoma, and is vested with full right and power to adopt the Authorizing Resolution, enter into the Master Trust Agreement and the Bond Indenture and perform the agreements on its part contained therein and to issue the Bonds; the Authorizing Resolution has been duly adopted by the Issuer and the Bond Indenture has been duly executed and delivered on behalf of the Issuer; the Bond Indentures creates a valid lien on the Loans and Loan Agreements, and the moneys, securities and funds held and pledged thereunder as security for the Bonds are on a parity with other bonds issued under the Master Trust Agreement, subject to the application thereof to the purposes and on the conditions permitted by the Bond Indenture; the Bonds have been authorized and issued in accordance with the Constitution and laws of the State of Oklahoma, specifically the Act, and constitute valid and binding special obligations of the Issuer secured by and payable solely from the security described in the Bond Indenture; and that the Bonds and the Bond Indenture are enforceable in accordance with their respective terms and conditions, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws now existing or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors, and certain equitable remedies, including specific performance, or legal remedies awarded, as may be subject to the exercise of judicial discretion.

IN OUR OPINION, the Bonds do not constitute a debt of the State of Oklahoma or any political subdivision thereof and neither the full faith and credit nor the taxing power of the State of Oklahoma or any political subdivision thereof is pledged, or may hereafter be pledged, to the payment of the principal of or interest on the Bonds. The Issuer has no taxing power.

IT IS OUR OPINION THAT THE BONDS ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986.

IN OUR OPINION, the Bonds are not subject to income taxation by the State of Oklahoma, or by any county, municipality or political subdivision therein.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Oklahoma, and with respect to the exclusion from taxable of the interest on the Bonds under the laws of the State of Oklahoma, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the security available for the payment of debt service on the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Respectfully,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of March 1, 2014, by and between the Oklahoma Water Resources Board (the “Issuer”) and BancFirst, a State banking corporation with its principal corporate trust office located in Oklahoma City, Oklahoma, as trustee (the “Trustee”) under the Bond Indenture dated as of March 1, 2014 (the “Indenture”), is executed and delivered in connection with the issuance of the Issuer’s Revolving Fund Revenue Refunding Bonds, Taxable Series 2014A (Master Trust) (the “Bonds”). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified in Article I hereof. The parties hereby agree as follows:

ARTICLE I

Definitions

Section 101. **Definitions.** The following terms used in this Agreement shall have the following respective meanings:

(A) “*Annual Financial Information*” means the financial information or operating data with respect to the Issuer, for each fiscal year of the Issuer, as follows:

- (i) Audited Financial Statements for the Issuer’s Bonds Outstanding under the Indenture;
- (ii) Investments of Funds and Accounts Established under the Indenture;
- (iii) Table of Pledged Loans with an outstanding principal balance as of the end of the applicable fiscal year of the Issuer; and
- (iv) With respect to Eligible Entities borrowing funds from the Issuer from proceeds of the Issuer’s Bonds Outstanding under the Indenture, Financial Statements of each Eligible Entity whose total aggregate annual debt service requirement on its Pledged Loan(s) equals or exceeds 20% of the aggregate outstanding principal balance of all Pledged Loans in such year. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

(B) “*Audited Financial Statements*” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP and audited in accordance with auditing standards generally accepted in the United States; provided, however, that the Issuer may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to the MSRB, and shall include a reference to the specific federal or State law or regulation describing such accounting basis.

(C) “*Business Day*” means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York, or Oklahoma City, Oklahoma, are authorized or required to be closed.

(D) “*Electronic Format*” means the electronic format prescribed by the MSRB for any filings required to be made and notices to be given, initially designated by the MSRB to be PDF. Beginning January 1, 2010, all PDFs must be word searchable except for non-textual elements.

(E) “*EMMA*” means the MSRB’s Electronic Municipal Market Access System. Reference is made to SEC Release No. 34-59062, December 8, 2008 (the “*Release*”) relating to the EMMA system for municipal securities disclosure effective on July 1, 2009.

(F) “*GAAP*” means generally accepting accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board.

(G) “*Material Event*” means any of the following events with respect to the Bonds:

- (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 Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of holders of the Bonds, if material, and tender offers;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Board;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, 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; and
- (xiv) appointment of a successor Trustee or change in the name of the Trustee, if material.

As used in clause (xii) above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if jurisdiction has been assumed by leaving the Board and official or officers of the Board in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.

(H) “*Material Event Notice*” means written or electronic notice of a Material Event.

(I) “*MSRB*” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(J) “*Official Statement*” means the “final official statement,” as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

(K) “*Rule*” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof.

(L) “*SEC*” means the United States Securities and Exchange Commission.

(M) “*State*” means the State of Oklahoma.

(N) “*Unaudited Financial Statements*” means the same as Audited Financial Statements, except that they shall not have been audited.

(O) “*Underwriters*” means the Underwriters identified in the Official Statement.

ARTICLE II

The Undertaking

Section 201. **Purpose.** This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 202. **Annual Financial Information.**

(a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2014, by no later than 180 days after the end of the respective fiscal year, to the MSRB in an Electronic Format accompanied by identifying information as prescribed by the MSRB; provided, however, that if Audited Financial Statements are not available by no later than 180 days after the end of any fiscal year, the Issuer shall provide Unaudited Financial Statements no later than 180 days after the end of such fiscal year.

(b) The Issuer shall provide, in a timely manner, not in excess of ten Business Days after the occurrence of the event, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 203. **Audited Financial Statements.** If not provided as part of Annual Financial Information by the date required by Section 202(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 204. **Notices of Material Events.**

(a) If a Material Event occurs, the Issuer shall provide, in a timely manner not in excess of ten Business Days after the occurrence thereof, a Material Event Notice to (i) the MSRB, and (ii) the Trustee.

(b) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide a Material Event Notice hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture.

Section 205. **Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

ARTICLE III

Operating Rules

Section 301. **Reference to Other Documents.** It shall be sufficient for purposes of Section 202 hereof if the Issuer provides Annual Financial Information by specific reference to documents previously filed with the MSRB.

Section 302. **Submission of Information.** Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 303. **Material Event Notices.** Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 304. **Transmission of Information and Notices.** Unless otherwise required by law and, in the Issuer's sole determination, subject to technical and economic feasibility, the Issuer shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Issuer's information and notices.

Section 305. **Fiscal Year.** Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve (12) calendar months. The Issuer's current fiscal year is July 1 - June 30, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

Section 306. **Use of EMMA.** Any filings required to be made with or notices to be given to the MSRB under this Agreement shall be effected by sending the filing or notice to EMMA at www.emma.msrb.org in an Electronic Format accompanied by identifying information as prescribed by the MSRB. The Issuer agrees to comply with the Release and the provisions of EMMA in making such filings and giving such notices under this Agreement. Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer agrees to undertake such obligation in accordance with the Rule as amended.

ARTICLE IV

Termination, Amendment and Enforcement

Section 401. Termination.

(a) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance pursuant to the Indenture, prior redemption or payment in full of all of the Bonds.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 402. Amendment.

(a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Trustee to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of the Bonds pursuant to Section 8.03 of the Indenture as in effect on the date of this Agreement, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(c) If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 403. **Benefit; Third-Party Beneficiaries; Enforcement.**

(a) The provisions of this Agreement shall inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of the Bonds shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subsection (b), the provisions of this Agreement shall create no rights in any person or entity. The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of the Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of the Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State.

ARTICLE V

Miscellaneous

Section 501. **Duties, Immunities and Liabilities of Trustee.** The Trustee shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the Issuer agrees, to the extent permitted by law, to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's negligence or willful misconduct in the performance of its duties hereunder.

Section 502. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signatures Omitted]

APPENDIX G

Pledged Loans for the Series 2014A Bonds

The following presents the current loans outstanding for the CWSRF Program that are expected to be pledged for the Series 2014A Bonds:

| Borrower | Program | Loan Amount | Fixed Loan Rate | Principal Outstanding as of December 31, 2013† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|---|---------|--------------|-----------------|--|--------------------------------|-------------------|--------------------------|
| Bethany Public Works Authority | CWSRF | \$ 5,140,000 | 3.10% | \$ 4,197,944 | 15-Sep-29 | Revenue | 1 CW 2004 Bond Series * |
| Bethany-Warr Acres Public Works Authority | CWSRF | 3,749,940 | 0.00% | 374,877 | 15-Aug-15 | Revenue | CW 2004 Bond Series * |
| Broken Arrow Municipal Authority | CWSRF | 15,000,000 | 3.10% | 10,291,694 | 15-Mar-24 | Revenue | 1 CW 2004 Bond Series * |
| Broken Arrow Municipal Authority | CWSRF | 1,079,559 | 0.00% | 193,767 | 15-Feb-17 | Revenue | 1 CW 2004 Bond Series * |
| Broken Arrow Municipal Authority | CWSRF | 1,570,000 | 0.00% | 314,000 | 15-Aug-17 | Revenue | 1 CW 2004 Bond Series * |
| Broken Arrow Municipal Authority | CWSRF | 1,110,358 | 0.00% | 262,980 | 15-Feb-18 | Revenue | 1 CW 2004 Bond Series * |
| Calera Public Works Authority | CWSRF | 4,985,000 | 2.26% | 4,633,000 | 15-Aug-38 | Revenue | CW 2004 Bond Series * |
| Collinsville Municipal Authority | CWSRF | 1,370,000 | 2.60% | 1,023,132 | 15-Mar-28 | Revenue | 1 CW 2004 Bond Series * |
| Duncan Public Utilities Authority | CWSRF | 3,606,378 | 0.00% | 1,622,870 | 15-Aug-22 | Revenue | 1 CW 2004 Bond Series * |
| Enid Municipal Authority | CWSRF | 1,906,000 | 0.00% | 476,500 | 15-Aug-18 | Revenue | 1 CW 2004 Bond Series * |
| Fort Gibson Utilities Authority | CWSRF | 710,000 | 3.82% | 300,073 | 15-Aug-20 | Revenue | CW 2004 Bond Series ** |
| Geronimo Public Works Authority | CWSRF | 395,000 | 3.43% | 101,345 | 15-Sep-17 | Revenue | CW 2004 Bond Series * |
| Glencoe Public Works Authority | CWSRF | 170,000 | 3.10% | 117,035 | 15-Sep-26 | Revenue | CW 2004 Bond Series * |
| Glenpool Utility Services Authority | CWSRF | 1,361,388 | 0.00% | 510,521 | 15-Mar-21 | Revenue | 1 CW 2004 Bond Series * |
| Harrah Public Works Authority | CWSRF | 2,220,000 | 3.10% | 1,506,431 | 15-Sep-25 | Revenue | 1 CW 2004 Bond Series * |
| Haskell Public Works Authority | CWSRF | 320,000 | 3.76% | 121,381 | 15-Sep-20 | Revenue | CW 2004 Bond Series * |
| Helena Public Works Authority | CWSRF | 440,000 | 3.63% | 85,344 | 15-Sep-16 | Revenue | CW 2004 Bond Series * |
| Henryetta Municipal Authority | CWSRF | 1,955,000 | 2.62% | 385,000 | 15-Sep-15 | Revenue | 1 CW 2004 Bond Series * |
| Henryetta Municipal Authority | CWSRF | 1,991,463 | 0.00% | 215,293 | 15-Aug-15 | Revenue | 1 CW 2004 Bond Series * |
| Hobart Public Works Authority | CWSRF | 1,040,000 | 3.10% | 738,256 | 15-Sep-28 | Revenue | 1 CW 2004 Bond Series ** |
| Inola Public Works Authority | CWSRF | 2,000,000 | 2.68% | 1,545,529 | 15-Sep-31 | Revenue | 1 CW 2004 Bond Series * |
| Inola Public Works Authority | CWSRF | 625,000 | 3.68% | 253,425 | 15-Mar-20 | Revenue | 1 CW 2004 Bond Series * |
| Lawton Water Authority | CWSRF | 10,815,000 | 3.10% | 5,276,182 | 15-Sep-26 | Revenue | CW 2004 Bond Series ** |
| Locust Grove Public Works Authority | CWSRF | 1,835,000 | 1.26% | 527,967 | 15-Mar-18 | Revenue | 1 CW 2004 Bond Series * |
| McLoud Public Works Authority | CWSRF | 5,315,000 | 3.10% | 4,163,042 | 15-Mar-28 | Revenue | 1 CW 2004 Bond Series * |
| Miami Special Utilities Authority | CWSRF | 563,000 | 3.10% | 372,083 | 15-Mar-25 | Revenue | CW 2004 Bond Series * |
| Muskogee Municipal Authority | CWSRF | 1,970,766 | 0.00% | 555,857 | 15-Feb-19 | Revenue | CW 2004 Bond Series * |
| Muskogee Municipal Authority | CWSRF | 3,480,000 | 0.00% | 870,000 | 15-Aug-18 | Revenue | CW 2004 Bond Series * |
| Muskogee Municipal Authority | CWSRF | 2,479,231 | 0.00% | 123,962 | 15-Aug-14 | Revenue | CW 2004 Bond Series * |
| Norman Utilities Authority | CWSRF | 4,850,000 | 0.00% | 1,492,308 | 15-Sep-19 | Revenue | CW 2004 Bond Series * |
| Norman Utilities Authority | CWSRF | 2,720,000 | 0.00% | 276,650 | 15-Aug-15 | Revenue | CW 2004 Bond Series * |
| Okemah Utilities Authority | CWSRF | 3,300,000 | 1.32% | 1,196,691 | 15-Mar-19 | Revenue | 1 CW 2004 Bond Series * |
| Oologah Municipal Authority | CWSRF | 543,500 | 3.10% | 365,864 | 15-Mar-26 | Revenue | CW 2004 Bond Series ** |
| Owasso Public Works Authority | CWSRF | 931,610 | 0.00% | 238,874 | 15-Aug-18 | Revenue | CW 2004 Bond Series * |
| Pauls Valley Municipal Authority | CWSRF | 900,000 | 3.10% | 618,039 | 15-Mar-27 | Revenue | 1 CW 2004 Bond Series ** |
| Perry Municipal Authority | CWSRF | 950,000 | 3.26% | 38,900 | 15-Mar-14 | Revenue | CW 2004 Bond Series ** |
| Ponca City Utility Authority | CWSRF | 2,370,907 | 0.00% | 711,272 | 15-Aug-19 | Revenue | CW 2004 Bond Series * |
| Ponca City Utility Authority | CWSRF | 4,400,000 | 0.00% | 1,006,918 | 15-Feb-18 | Revenue | CW 2004 Bond Series * |
| Ponca City Utility Authority | CWSRF | 1,784,449 | 0.00% | 234,796 | 15-Feb-16 | Revenue | CW 2004 Bond Series * |

| Borrower | Program | Original Loan Amount | Fixed Loan Rate | Principal Outstanding as of December 31, 2013† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|--|---------|----------------------|-----------------|--|--------------------------------|-------------------|-----------------------|
| Poconu Public Works Authority | CWSRF | \$ 2,335,000 | 1.29% | \$ 728,968 | 15-Sep-18 | Revenue | 1 CW 2004 Bond Series |
| Rush Springs Municipal Improvement Authority | CWSRF | 605,150 | 3.48% | 147,252 | 15-Sep-17 | Revenue | CW 2004 Bond Series |
| Sand Springs Municipal Authority | CWSRF | 2,314,000 | 3.10% | 1,570,675 | 15-Sep-26 | Revenue | 1 CW 2004 Bond Series |
| Sand Springs Municipal Authority | CWSRF | 2,250,000 | 3.10% | 1,490,024 | 15-Mar-26 | Revenue | 1 CW 2004 Bond Series |
| Shawnee Municipal Authority | CWSRF | 1,073,279 | 0.00% | 169,465 | 15-Aug-16 | Revenue | CW 2004 Bond Series |
| Stillwater Utilities Authority | CWSRF | 4,876,086 | 0.00% | 2,194,239 | 15-Sep-22 | Revenue | 1 CW 2004 Bond Series |
| Stillwater Utilities Authority | CWSRF | 7,620,000 | 3.10% | 4,949,685 | 15-Mar-25 | Revenue | 1 CW 2004 Bond Series |
| Stroud Utilities Authority | CWSRF | 1,700,000 | 3.10% | 1,206,657 | 15-Sep-26 | Revenue | 1 CW 2004 Bond Series |
| Tishomingo Municipal Authority | CWSRF | 1,115,000 | 3.10% | 824,510 | 15-Mar-27 | Revenue | 1 CW 2004 Bond Series |
| Tonkawa Municipal Authority | CWSRF | 530,000 | 3.01% | 274,472 | 15-Sep-22 | Revenue | 1 CW 2004 Bond Series |
| Tonkawa Municipal Authority | CWSRF | 350,000 | 3.50% | 68,080 | 15-Aug-16 | Revenue | CW 2004 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 17,825,000 | 3.10% | 14,142,128 | 15-Sep-29 | Revenue | CW 2004 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 3,130,000 | 3.10% | 2,222,803 | 15-Sep-27 | Revenue | CW 2004 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 7,900,000 | 3.10% | 5,756,460 | 15-Sep-27 | Revenue | CW 2004 Bond Series |
| Vinita Utilities Authority | CWSRF | 1,290,000 | 3.10% | 814,665 | 15-Mar-26 | Revenue | CW 2004 Bond Series |
| Vinita Utilities Authority | CWSRF | 1,900,000 | 3.56% | 536,160 | 15-Mar-18 | Revenue | CW 2004 Bond Series |
| Wagoner County RWSG & SWMD #4 | CWSRF | 6,752,000 | 1.36% | 2,607,005 | 15-Sep-19 | Revenue | CW 2004 Bond Series |
| Warner Utilities Authority | CWSRF | 258,000 | 3.63% | 99,238 | 15-Mar-20 | Revenue | 1 CW 2004 Bond Series |
| Washington Municipal Authority | CWSRF | 410,000 | 3.76% | 61,080 | 15-Aug-15 | Revenue | CW 2004 Bond Series |
| Woodward Municipal Authority | CWSRF | 1,400,000 | 3.10% | 1,097,099 | 15-Mar-28 | Revenue | CW 2004 Bond Series |
| | | | | <u>\$88,300,466</u> | | | |

† Amounts equal to the unpaid principal balance on prior draws plus any committed but undrawn funds.
* Reflects the original fixed loan rate prior to any distribution of savings.

** At the Board's consent, and in connection with the issuance of the Bonds, the Borrower has opted to prepay the outstanding loan amount shown above, plus any interest accrued through March 15, 2014. Prepaid funds will be applied to the redemption of a portion of the Series 2004 Refunded Bonds. See "PLAN OF REFUNDING" herein.

Revenue: All Borrowers have pledged revenues from either operations of water or sewer system and also may pledge solid waste disposal, electric or gas system revenues or a combination thereof.

- (1) Pledge of system revenues plus sales tax revenues.
- (2) Pledge of system revenues plus telephone revenues.
- (3) Pledge of system revenues plus operations and maintenance revenues.
- (4) Pledge of system revenues plus sales tax revenues plus golf course revenues.
- (5) Pledge of system revenues plus sales tax revenues plus internet and cable TV revenues.

APPENDIX H

CWSRF AND DWSRF PROGRAMS HISTORICAL FUNDING SOURCES

The following material presents the Historical Funding Sources for the CWSRF Program and the DWSRF Program:

| Historical Funding Sources | | | | | | | |
|--|--------------------------|------------------------|---------------------|-------------------------|---------|------------------------|--------------------------------|
| Oklahoma Clean Water State Revolving Fund | | | | | | | |
| As of January 31, 2014 | | | | | | | |
| Fiscal Year | Federal Cap Grant Amount | State Match Amount | Over Match Amount | Bond Issue Proceeds | Notes | Less 4% Administration | Total Available For Assistance |
| 1988 | \$9,278,000.00 | \$1,855,600.00 | \$0.00 | \$0.00 | (1) | \$371,120.00 | \$10,762,480.00 |
| 1989 | \$7,597,400.00 | \$1,519,480.00 | \$0.00 | \$0.00 | (2) | \$303,896.00 | \$8,812,984.00 |
| 1990 | \$7,862,000.00 | \$1,572,400.00 | \$0.00 | \$0.00 | (3) | \$314,480.00 | \$9,119,920.00 |
| 1991 | \$16,580,619.00 | \$3,316,123.80 | \$0.20 | \$0.00 | (3) | \$663,224.76 | \$19,233,518.24 |
| 1992 | \$15,697,737.00 | \$3,139,547.40 | \$0.60 | \$0.00 | (4) | \$627,909.48 | \$18,209,375.52 |
| 1993 | \$15,528,546.00 | \$3,105,709.20 | -\$0.20 | \$0.00 | (5) | \$621,141.84 | \$18,013,113.16 |
| 1994 | \$9,632,600.00 | \$1,926,520.00 | \$0.00 | \$0.00 | (6) | \$385,304.00 | \$11,173,816.00 |
| 1995 | \$9,951,183.00 | \$1,990,236.60 | \$0.40 | \$0.00 | (7) | \$398,047.32 | \$11,543,372.68 |
| 1996 | \$16,300,350.00 | \$3,260,070.00 | -\$1.00 | \$0.00 | (7,8) | \$652,014.00 | \$18,908,405.00 |
| 1997 | \$4,986,100.00 | \$997,220.00 | \$21,450.00 | \$0.00 | (8) | \$199,444.00 | \$5,805,326.00 |
| 1998 | \$10,879,110.00 | \$2,175,822.00 | \$8,644.94 | \$0.00 | (9) | \$435,164.40 | \$12,628,412.54 |
| 1999 | \$10,880,001.00 | \$2,176,000.20 | \$105,646.80 | \$0.00 | (10) | \$435,200.04 | \$12,726,447.96 |
| 2000 | \$10,996,702.00 | \$2,199,340.40 | \$82,990.54 | \$0.00 | (11) | \$439,868.08 | \$12,839,164.86 |
| 2001 | \$10,746,747.00 | \$2,149,349.40 | \$677.89 | \$0.00 | (12) | \$429,869.88 | \$12,466,904.41 |
| 2002 | \$10,770,705.00 | \$2,154,141.00 | \$0.00 | \$26,000,000.00 | (12,13) | \$430,828.20 | \$38,494,017.80 |
| 2003 | \$10,700,700.00 | \$2,140,140.00 | \$0.00 | \$127,500,000.00 | (14) | \$428,028.00 | \$139,912,812.00 |
| 2004 | \$10,720,400.00 | \$2,144,080.00 | \$0.00 | \$0.00 | (14) | \$428,816.00 | \$12,435,664.00 |
| 2005 | \$8,693,800.00 | \$1,738,760.00 | \$0.00 | \$0.00 | (14) | \$347,752.00 | \$10,084,808.00 |
| 2006 | \$7,046,300.00 | \$1,409,260.00 | \$67,760.00 | \$0.00 | (14) | \$281,852.00 | \$8,241,468.00 |
| 2007/2008 | \$14,087,400.00 | \$2,817,480.00 | \$0.00 | \$0.00 | (15) | \$563,496.00 | \$16,341,384.00 |
| ARRA | \$31,662,100.00 | N/A | \$0.00 | \$0.00 | | \$1,266,484.00 | \$30,395,616.00 |
| 2009/2010 | \$21,914,100.00 | \$4,382,820.00 | \$0.00 | \$93,534,169.20 | (15,16) | \$876,564.00 | \$118,954,525.20 |
| 2011 | \$11,930,000.00 | \$2,386,000.00 | \$0.00 | \$0.00 | (16) | \$477,200.00 | \$13,838,800.00 |
| 2012 | \$11,419,000.00 | \$2,283,800.00 | \$0.00 | \$100,030,252.74 | (16,17) | \$456,760.00 | \$113,276,292.74 |
| 2013 | \$10,786,000.00 | \$2,157,200.00 | \$0.00 | \$0.00 | (17) | \$431,440.00 | \$12,511,760.00 |
| Totals | \$306,647,600.00 | \$54,997,100.00 | \$287,170.17 | \$347,064,421.94 | | \$11,377,704.00 | \$684,218,628.11 |
| Notes: | | | | | | | |
| 1 FY 1988 state match appropriated by the legislature from the Statewide Water Development Revolving Fund. - 7/30/88, H.B. 1571 | | | | | | | |
| 2 FY 1989 state match appropriated by the legislature from the Statewide Water Development Revolving Fund. - 4/26/89, S.B. 51 | | | | | | | |
| 3 FYs 1990 and 1991 state matches appropriated by the legislature from the Special Cash Fund. - 3/20/91, S.B. 144 | | | | | | | |
| 4 \$2,892,047 of FY 1992 state match appropriated by the legislature from the Constitutional Reserve Fund. - 5/28/93, S.B. 390; \$200,000 in state match provided by Ute settlement - State of New Mexico and \$47,501 in state match provided from OWRB grant account. | | | | | | | |
| 5 FY 1993 state match appropriated by the legislature from the Constitutional Reserve Fund. - 5/18/94, H.B. 2761 | | | | | | | |
| 6 OWRB issued its \$1,950,000 SRF Program Notes, Series 1994 on October 25, 1994. The Series 1994 Notes were paid from monies in the Debt Service Reserve Fund for the Board's 1985 State Loan Program Bonds. | | | | | | | |
| 7 OWRB issued its \$4,050,000 CWSRF Revenue Notes, Series 1996 on May 22, 1996. The Series 1996 Notes were paid from investment and interest earnings on CWSRF accounts and repayments on the Guymon and Ketchum State Loan Program Bond loans. \$1,990,237 went toward meeting the FY 1995 state match and \$2,018,545 toward the FY 1996 state match. | | | | | | | |
| 8 OWRB issued its \$2,275,000 CWSRF Revenue Notes, Series 1997 on June 26, 1997. The Series 1997 Notes were paid from investment and interest earnings on CWSRF accounts and repayments on the Guymon and Ketchum State Loan Program Bond loans. \$1,241,524 went toward meeting the FY 1996 state match and \$1,018,670 toward the FY 1997 state match. | | | | | | | |
| 9 OWRB issued its \$2,200,000 CWSRF Revenue Notes, Series 1998 on June 25, 1998. The Series 1998 Notes were paid from investment and interest earnings on CWSRF accounts and repayments on the Guymon and Ketchum State Loan Program Bond loans. | | | | | | | |
| 10 OWRB issued its \$2,300,000 CWSRF Revenue Notes, Series 1999 on February 15, 1999. The Series 1999 Notes were paid from investment and interest earnings on CWSRF accounts and repayments on the Guymon and Ketchum State Loan Program Bond loans. | | | | | | | |
| 11 OWRB issued its \$2,300,000 CWSRF Revenue Notes, Series 2000 on June 22, 2000. The Series 2000 Notes were paid from investment and interest earnings on CWSRF accounts and repayments on the Guymon and Ketchum State Loan Program Bond loans. | | | | | | | |
| 12 OWRB issued its \$4,345,000 CWSRF Revenue Notes, Series 2001 on April 11, 2001. The Series 2001 Notes were paid from investment and interest earnings on CWSRF accounts. \$2,149,349.40 went toward meeting the FY 2001 state match and \$2,154,141.00 went toward meeting the FY 2002 state match. | | | | | | | |
| 13 OWRB issued a \$28,890,000 CWSRF Interim Construction Loan Revenue Bonds, Series 2001, on August 15, 2001. The Series 2001 Bonds are to be paid from principal and interest payments made on CWSRF loans made from bond proceeds. | | | | | | | |
| 14 OWRB issued a \$204,480,000 CWSRF/DWSRF Interim Construction Loan Revenue Bonds, Series 2004, on October 26, 2004. The Series 2004 Bonds are to be paid from principal and interest payments made on CWSRF loans made from bond proceeds. Match for 2003, 2004, 2005, 2006 with \$67,760 left. | | | | | | | |
| 15 Reallocation of bond funds from the 2004 Bond Issue to state matching funds - \$3,908,100 for the 2007, 2008 and 2009 cap grants. | | | | | | | |
| 16 OWRB issued a \$85,000,000 Revenue Bond Issue, Series 2011 on April 13, 2011 with \$6,492,200 for the 2010 and 2011 cap grants and a portion of the 2012 cap grant. \$814,000 for the 2012 state match will be available from the 2011 bond issue the remainder will need to come from another source. | | | | | | | |
| 17 OWRB issued a \$86,505,000 Revenue Bond Issue, Series 2012B on November 7, 2012 with \$2,047,000 for the remainder of the 2012 cap grant. The state match for the 2013 cap grant was provided with a reallocation of the 2012B bond proceeds of \$1,500,000 and overmatch from 2006 of \$67,760 and overmatch from 2012B Bonds of \$577,200, and \$12,240 from an appropriation from the Water Infrastructure Development Fund. | | | | | | | |

Historical Funding Sources Oklahoma Drinking Water State Revolving Fund

As of January 31, 2014

| Fiscal Year | Federal Cap Grant Amount | State Match Amount | Over Match Amount | Bond Issue Proceeds | Notes | Less Set-Asides | Total Available For Assistance |
|---------------|--------------------------|------------------------|--------------------|-------------------------|---------------|------------------------|--------------------------------|
| 1997 | \$17,561,900.00 | \$3,512,380.00 | \$0.00 | \$0.00 | (1) | \$3,803,391.00 | \$17,270,889.00 |
| 1998 | \$10,224,200.00 | \$2,044,840.00 | \$0.00 | \$0.00 | (2) | \$1,607,887.50 | \$10,661,152.50 |
| 1999 | \$10,716,000.00 | \$2,143,200.00 | \$0.00 | \$0.00 | (3) | \$1,062,602.00 | \$11,796,598.00 |
| 2000 | \$11,137,000.00 | \$2,227,400.00 | \$0.00 | \$0.00 | (4) | \$0.00 | \$13,364,400.00 |
| 2001 | \$11,183,000.00 | \$2,236,600.00 | \$0.00 | \$115,327,403.16 | (4,5,6) | \$1,178,566.00 | \$127,568,437.16 |
| 2002 | \$12,446,500.00 | \$2,489,300.00 | \$0.00 | \$0.00 | (6) | \$1,677,863.00 | \$13,257,937.00 |
| 2003 | \$12,371,700.00 | \$2,474,340.00 | \$0.00 | \$0.00 | (6) | \$1,847,402.00 | \$12,998,638.00 |
| 2004 | \$12,833,800.00 | \$2,566,760.00 | \$50,813.00 | \$0.00 | (6) | \$2,140,447.00 | \$13,310,926.00 |
| 2005 | \$12,806,700.00 | \$2,561,340.00 | \$0.00 | \$85,037,325.77 | (7) | \$2,623,801.00 | \$97,781,564.77 |
| 2006 | \$13,285,600.00 | \$2,657,120.00 | \$0.00 | \$0.00 | (8) | \$2,573,391.00 | \$13,369,329.00 |
| 2007 | \$13,285,600.00 | \$2,657,120.00 | \$0.00 | \$0.00 | (9) | \$2,997,171.00 | \$12,945,549.00 |
| 2008 | \$13,151,000.00 | \$2,630,200.00 | \$0.00 | \$0.00 | (9) | \$3,534,820.00 | \$12,246,380.00 |
| 2009 | \$13,151,000.00 | \$2,630,200.00 | \$0.00 | \$87,330,039.93 | (10) | \$6,074,218.00 | \$97,037,021.93 |
| ARRA | \$31,481,000.00 | \$0.00 | \$0.00 | \$0.00 | | \$1,259,240.00 | \$30,221,760.00 |
| 2010 | \$16,863,000.00 | \$3,372,600.00 | \$0.00 | \$59,077,414.40 | (10,11) | \$5,227,530.00 | \$15,008,070.00 |
| 2011 | \$11,701,000.00 | \$2,340,200.00 | \$0.00 | \$0.00 | (11) | \$3,627,310.00 | \$10,413,890.00 |
| 2012 | \$11,151,000.00 | \$2,230,200.00 | \$0.00 | \$56,116,770.33 | (11,12) | \$3,456,810.00 | \$9,924,390.00 |
| 2013 | \$10,463,000.00 | \$2,092,600.00 | \$0.00 | \$0.00 | (13) | \$3,243,530.00 | \$9,312,070.00 |
| Totals | \$245,813,000.00 | \$42,866,400.00 | \$50,813.00 | \$402,888,953.59 | \$0.00 | \$47,935,979.50 | \$528,489,002.36 |

Notes:

- 1 \$3,500,000 of FY 1997 state match appropriated by the legislature from the Constitutional Reserve Fund and \$12,380 transferred from OWRB grant account. - 6/12/98, S.B. 965
- 2 \$2,000,000 of FY 1998 state match appropriated by the legislature from the Constitutional Reserve Fund and \$44,840 transferred from OWRB grant account. - 6/08/99, H.B. 1565
- 3 FY 1999 State match appropriated by the legislature from the gross production tax. - 6/09/00, H.B. 2272
- 4 OWRB issued its \$4,480,000 DWSRF Revenue Notes, Series 2001 on April 11, 2001. The Series 2001 Notes were paid from investment and interest earnings on DWSRF accounts and repayments on the Guymon and Ketchum FAP Bond loans. \$2,227,400 went toward meeting the FY 2000 state match and \$2,236,600 toward the FY 2001 state match (see Note 5).
- 5 OWRB defeased the remaining Series 2001 Notes allocable to the FY 2001 state match requirement and provide the FY 2001 state match requirement through the Series 2003 DWSRF Bonds.
- 6 OWRB issued its \$122,910,000 Revolving Fund Revenue Bonds, Series 2003 (Master Trust) on October 29, 2003. The Series 2003 DWSRF Bonds are paid from principal and interest repayments on pledged loans and investment income on accounts held in the trust estate. The Series 2003 DWSRF Bonds provided \$10 million to meet the state match requirement for FY 2001, 2002, 2003, and 2004. The Series 2003 DWSRF Bonds also provided \$115 million in additional funds for DWSRF loans.
- 7 OWRB issued its \$204,480,000 (\$87,000,000 portioned to the DWSRF and \$117,480,000 portioned to the CWSRF) Revolving Fund Revenue Bonds, Series 2004 on October 26, 2004. \$2,000,000 will be allocated for state match purposed for FY 2005, leaving \$85,000,000 to be allocated to make direct DWSRF loans. \$561,340 provided from 2001 and 2004 overmatch.
- 8 Appropriation from the Water and Wastewater Infrastructure Development Fund.
- 9 Reallocation of \$5,287,320 of bond funds from the 2003 and 2004 Bond Issues to state matching funds.
- 10 OWRB issued a \$94,460,000 2010 DWSRF Bond Issue on January 13, 2010. The bond issue provided \$5,605,000 for state match. The 2010 cap grant was not known at bond closing. \$2,974,800 is provided by this bond issue for the 2010 cap grant.
- 11 OWRB issued a \$57,910,000 2011 DWSRF Bond Issue on April, 13, 2011. The bond issue provided \$3,085,000 for \$397,800 of the 2010 cap grant and the 2011. \$347,000 will be used for the 2012 cap grant once it is awarded.
- 12 OWRB issued a \$49,395,000 2012A DWSRF Bond Issue on June 12, 2012. The bond issue provided \$4,149,000 for the 2012 cap grant leaving \$2,265,800 available for future match of capitalization grants.
- 13 OWRB issued a \$41,410,000 2013A DWSRF Bond Issue on September 19, 2013. The bond issue provided \$2,092,600 for the 2013 cap grant leaving \$2,265,800 available for future match of capitalization grants.

APPENDIX I

CWSRF and DWSRF Programs Outstanding Loans Pledged for Outstanding Bonds

The following presents the current loans outstanding for the CWSRF Program and DWSRF Program that are pledged for the Outstanding Bonds and that are expected to be pledged for the Series 2014A Bonds:

| Borrower | Program | Original Loan Amount | Fixed Loan Rate | Principal Outstanding as of January 31, 2014† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|---------------------------------------|---------|----------------------|-----------------|---|--------------------------------|-------------------|-----------------------|
| Adair Municipal Authority | CWSRF | \$ 768,363 | 2.71% | \$ 768,363 | 15-Mar-30 | Revenue | 1 CW 2011 Bond Series |
| Antlers Public Works Authority | CWSRF | 2,347,000 | 2.32% | 2,347,000 | 15-Sep-37 | Revenue | 1 Undesignated |
| Ardmore Public Works Authority | CWSRF | 604,603 | 2.67% | 604,603 | 15-Mar-30 | Revenue | 1 CW 2012 Bond Series |
| Ardmore Public Works Authority | CWSRF | 8,697,000 | 2.20% | - | 15-Mar-35 | Revenue | 1 CW 2011 Bond Series |
| Arkoma Municipal Authority | CWSRF | 149,803 | 3.00% | 149,803 | 15-Mar-23 | Revenue | 1 CW 2011 Bond Series |
| Bartlesville Municipal Authority | CWSRF | 290,061 | 0.00% | 290,061 | 15-Mar-24 | Revenue | 1 CW 2011 Bond Series |
| Beggs Public Works Authority | CWSRF | 3,897,944 | 3.22% | 3,897,944 | 15-Mar-30 | Revenue | 1 CW 2011 Bond Series |
| Big Cabin Public Works Authority | CWSRF | 82,876 | 3.54% | 82,876 | 15-Mar-21 | Revenue | 1 CW 2012 Bond Series |
| Bixby Public Works Authority | CWSRF | 2,235,473 | 2.70% | 2,235,473 | 15-Mar-32 | Revenue | 1 CW 2012 Bond Series |
| Broken Arrow Municipal Authority | CWSRF | 143,059 | 0.00% | 143,059 | 15-Feb-21 | Revenue | 1 CW 2011 Bond Series |
| Broken Arrow Municipal Authority | CWSRF | 3,635,688 | 2.85% | 3,635,688 | 15-Sep-33 | Revenue | 1 CW 2011 Bond Series |
| Broken Arrow Municipal Authority | CWSRF | 6,540,000 | 2.01% | 6,540,000 | 15-Sep-34 | Revenue | 1 CW 2012 Bond Series |
| Broken Arrow Municipal Authority | CWSRF | 4,494,054 | 2.26% | 4,494,054 | 15-Sep-35 | Revenue | 1 Undesignated |
| Bromide Public Works Authority | CWSRF | 37,371 | 3.32% | 37,371 | 15-Sep-19 | Revenue | 1 Undesignated |
| Chandler Municipal Authority | CWSRF | 944,168 | 1.67% | 944,168 | 15-Mar-23 | Revenue | 1 CW 2011 Bond Series |
| Chouteau Public Works Authority | CWSRF | 3,493,000 | 2.17% | 3,493,000 | 15-Sep-36 | Revenue | 1 CW 2012 Bond Series |
| Collinsville Municipal Authority | CWSRF | 317,605 | 2.74% | 317,605 | 15-Mar-30 | Revenue | 1 Undesignated |
| Collinsville Municipal Authority | CWSRF | 449,491 | 3.06% | 449,491 | 15-Mar-22 | Revenue | 1 CW 2011 Bond Series |
| Commerce Development Authority | CWSRF | 258,401 | 2.55% | 258,401 | 15-Sep-23 | Revenue | 1 CW 2011 Bond Series |
| Cushing Municipal Authority | CWSRF | 3,679,254 | 3.13% | 3,679,254 | 15-Sep-23 | Revenue | 1 CW 2012 Bond Series |
| Del City Municipal Services Authority | CWSRF | 684,692 | 2.58% | 684,692 | 15-Mar-30 | Revenue | 1 CW 2011 Bond Series |
| Durant City Utilities Authority | CWSRF | 1,719,801 | 0.00% | 1,719,801 | 15-Mar-21 | Revenue | 1 CW 2011 Bond Series |
| Durant City Utilities Authority | CWSRF | 940,474 | 0.00% | 940,474 | 15-Mar-21 | Revenue | 1 CW 2011 Bond Series |
| El Reno Municipal Authority | CWSRF | 168,064 | 0.00% | 168,064 | 15-Mar-20 | Revenue | 1 CW 2011 Bond Series |
| El Reno Municipal Authority | CWSRF | 334,768 | 0.00% | 334,768 | 15-Mar-22 | Revenue | 1 CW 2011 Bond Series |
| El Reno Municipal Authority | CWSRF | 31,296 | 1.53% | 31,295 | 15-Sep-14 | Revenue | 1 CW 2012 Bond Series |
| Elgin Public Works Authority | CWSRF | 2,244,396 | 2.63% | 2,244,396 | 15-Sep-32 | Revenue | 1 CW 2012 Bond Series |
| Enid Municipal Authority | CWSRF | 414,415 | 0.00% | 414,415 | 15-Aug-20 | Revenue | 1 CW 2011 Bond Series |
| Enid Municipal Authority | CWSRF | 32,931,939 | 2.81% | 32,931,939 | 15-Mar-32 | Revenue | 1 CW 2012 Bond Series |
| Enid Municipal Authority | CWSRF | 470,769 | 0.00% | 470,769 | 15-Feb-22 | Revenue | 1 CW 2011 Bond Series |
| Eufaula Public Works Authority | CWSRF | 3,862,723 | 2.56% | 3,835,566 | 01-Jun-43 | Revenue | 1 CW 2012 Bond Series |
| Fairview Utilities Authority | CWSRF | 1,619,983 | 3.10% | 1,619,983 | 15-Sep-31 | Revenue | 1 CW 2012 Bond Series |
| Fort Gibson Utilities Authority | CWSRF | 726,003 | 2.42% | 726,003 | 15-Mar-27 | Revenue | 1 CW 2012 Bond Series |
| Frederick Public Works Authority | CWSRF | 550,527 | 3.18% | - | 15-Sep-44 | Revenue | 1 Undesignated |
| Glenpool Utility Services Authority | CWSRF | 3,090,491 | 2.66% | 3,080,258 | 15-Sep-32 | Revenue | 1 CW 2011 Bond Series |
| Grand Lake Public Works Authority | CWSRF | 415,819 | 2.60% | 415,819 | 15-Mar-23 | Revenue | 1 CW 2011 Bond Series |
| Grand Lake Public Works Authority | CWSRF | 599,569 | 2.75% | 599,569 | 15-Sep-30 | Revenue | 1 CW 2011 Bond Series |
| Grand Lake Public Works Authority | CWSRF | 1,327,093 | 3.28% | 1,327,093 | 15-Mar-22 | Revenue | 1 CW 2011 Bond Series |
| Grayson Development Authority | CWSRF | 30,063 | 3.27% | 30,063 | 15-Mar-20 | Revenue | 1 CW 2011 Bond Series |
| Grove Municipal Services Authority | CWSRF | 4,546,256 | 2.66% | 4,559,762 | 15-Sep-24 | Revenue | 1 CW 2011 Bond Series |
| Grove Municipal Services Authority | CWSRF | 960,018 | 2.37% | 960,018 | 15-Sep-21 | Revenue | 1 CW 2011 Bond Series |

| Borrower | Program | Original Loan Amount | Fixed Loan Rate | Outstanding as of January 31, 2014† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|--|---------|----------------------|-----------------|-------------------------------------|--------------------------------|-------------------|-----------------------|
| Guthrie Public Works Authority | CWSRF | \$ 7378,981 | 2.67% | \$ 378,981 | 15-Mar-25 | Revenue | 1 CW 2011 Bond Series |
| Guymon Utilities Authority | CWSRF | 2,414,608 | 3.13% | 2,414,608 | 15-Mar-32 | Revenue | 1 CW 2012 Bond Series |
| Guymon Utilities Authority | CWSRF | 13,587,211 | 3.10% | 13,587,211 | 15-Sep-27 | Revenue | 1 CW 2011 Bond Series |
| Guymon Utilities Authority | CWSRF | 750,336 | 2.80% | 750,336 | 15-Mar-30 | Revenue | 1 CW 2011 Bond Series |
| Haileyville Public Works Authority | CWSRF | 91,866 | 3.56% | 91,866 | 15-Mar-17 | Revenue | 1 CW 2011 Bond Series |
| Harrah Public Works Authority | CWSRF | 1,115,535 | 2.85% | 1,115,535 | 15-Mar-30 | Revenue | 1 CW 2011 Bond Series |
| Hennessey Utilities Authority | CWSRF | 719,804 | 2.04% | 1,118,719 | 15-Sep-33 | Revenue | 1 CW 2011 Bond Series |
| Henryetta Municipal Authority | CWSRF | 1,852,959 | 2.73% | 1,852,959 | 15-Mar-31 | Revenue | 1 CW 2011 Bond Series |
| Hobart Public Works Authority | CWSRF | 426,373 | 1.81% | 426,373 | 15-Sep-19 | Revenue | 1 CW 2012 Bond Series |
| Hobart Public Works Authority | CWSRF | 90,751 | 3.22% | 90,751 | 12-Mar-22 | Revenue | 1 CW 2011 Bond Series |
| Jay Utilities Authority | CWSRF | 1,823,108 | 1.49% | 1,823,108 | 15-Mar-21 | Revenue | 1 CW 2011 Bond Series |
| Lawton Water Authority | CWSRF | 753,214 | 0.00% | 753,214 | 15-Feb-21 | Revenue | 1 CW 2011 Bond Series |
| Lawton Water Authority | CWSRF | 470,769 | 0.00% | 470,769 | 15-Aug-22 | Revenue | 1 CW 2011 Bond Series |
| Lawton Water Authority | CWSRF | 839,737 | 0.00% | 839,737 | 15-Aug-22 | Revenue | 1 CW 2011 Bond Series |
| Lawton Water Authority | CWSRF | 671,795 | 0.00% | 671,795 | 15-Aug-23 | Revenue | 1 CW 2011 Bond Series |
| Lawton Water Authority | CWSRF | 8,179,990 | 2.76% | 8,179,990 | 15-Sep-30 | Revenue | 1 CW 2012 Bond Series |
| Locust Grove Public Works Authority | CWSRF | 395,540 | 3.01% | 395,540 | 15-Sep-36 | Revenue | 1 Undesignated |
| Lone Grove Water and Sewer Trust Authority | CWSRF | 4,918,149 | 2.37% | 4,150,538 | 15-Mar-44 | Revenue | 1 Undesignated |
| Miami Special Utilities Authority | CWSRF | 880,000 | 0.00% | 880,000 | 15-Sep-23 | Revenue | 1 CW 2011 Bond Series |
| Miami Special Utilities Authority | CWSRF | 837,657 | 0.00% | 837,657 | 15-Mar-24 | Revenue | 1 CW 2011 Bond Series |
| Moore Public Works Authority | CWSRF | 2,014,292 | 2.85% | 2,014,292 | 15-Sep-29 | Revenue | 1 CW 2011 Bond Series |
| Moore Public Works Authority | CWSRF | 41,426,924 | 2.56% | 41,426,924 | 15-Mar-33 | Revenue | 1 CW 2012 Bond Series |
| Moore Public Works Authority | CWSRF | 3,742,723 | 2.56% | 3,742,723 | 15-Mar-33 | Revenue | 1 CW 2012 Bond Series |
| Morris Public Works Authority | CWSRF | 906,098 | 2.86% | 906,098 | 15-Sep-23 | Revenue | 1 CW 2012 Bond Series |
| Muldrow Public Works Authority | CWSRF | 3,103,751 | 2.89% | 3,103,751 | 15-Mar-41 | Revenue | 1 CW 2012 Bond Series |
| Muskogee Municipal Authority | CWSRF | 864,593 | 2.86% | 864,593 | 15-Mar-30 | Revenue | 1 CW 2011 Bond Series |
| Muskogee Municipal Authority | CWSRF | 2,203,365 | 2.77% | 1,865,423 | 15-Sep-34 | Revenue | 1 CW 2012 Bond Series |
| Muskogee Municipal Authority | CWSRF | 151,000 | 2.90% | - | 15-Mar-36 | Revenue | 1 Undesignated |
| Mustang Improvement Authority | CWSRF | 3,446,352 | 2.81% | 3,446,352 | 15-Mar-30 | Revenue | 1 CW 2011 Bond Series |
| Nicomma Park Development Authority | CWSRF | 109,509 | 2.22% | 109,509 | 15-Sep-26 | Revenue | 1 CW 2012 Bond Series |
| Noble Utilities Authority | CWSRF | 1,545,000 | 2.60% | 1,545,000 | 01-Aug-17 | Revenue | 1 CW 2011 Bond Series |
| Norman Utilities Authority | CWSRF | 4,859,097 | 2.91% | 4,859,097 | 15-Mar-31 | Revenue | 1 CW 2011 Bond Series |
| Oilton Public Works Authority | CWSRF | 406,938 | 2.76% | - | 15-Sep-34 | Revenue | 1 Undesignated |
| Okemah Utilities Authority | CWSRF | 2,197,574 | 2.72% | 2,197,574 | 15-Mar-32 | Revenue | 1 CW 2012 Bond Series |
| Oklahoma City Water Utilities Trust | CWSRF | 5,577,471 | 2.86% | 5,577,471 | 15-Mar-31 | Revenue | 1 CW 2012 Bond Series |
| Oklahoma City Water Utilities Trust | CWSRF | 17,010,570 | 3.27% | 17,010,570 | 15-Mar-43 | Revenue | 1 CW 2012 Bond Series |
| Oklmulgee Municipal Authority | CWSRF | 4,424,826 | 2.54% | 4,424,826 | 15-Sep-32 | Revenue | 1 CW 2012 Bond Series |
| Oklmulgee Municipal Authority | CWSRF | 459,568 | 2.86% | 459,568 | 15-Mar-31 | Revenue | 1 CW 2012 Bond Series |
| Owasso Public Works Authority | CWSRF | 2,290,336 | 2.61% | 2,290,336 | 15-Sep-32 | Revenue | 4 CW 2012 Bond Series |
| Owasso Public Works Authority | CWSRF | 3,860,878 | 2.75% | 3,860,878 | 15-Mar-31 | Revenue | 4 CW 2011 Bond Series |
| Owasso Public Works Authority | CWSRF | 9,428,283 | 2.78% | 9,428,283 | 15-Sep-31 | Revenue | 4 CW 2011 Bond Series |
| Owasso Public Works Authority | CWSRF | 398,888 | 0.00% | 398,888 | 15-Aug-22 | Revenue | 4 CW 2011 Bond Series |
| Owasso Public Works Authority | CWSRF | 386,076 | 0.00% | 386,076 | 15-Feb-21 | Revenue | 4 CW 2011 Bond Series |
| Owasso Public Works Authority | CWSRF | 68,363 | 2.28% | - | 15-Mar-26 | Revenue | 4 Undesignated |
| Pawnee Public Works Authority | CWSRF | 657,181 | 2.89% | 657,181 | 15-Aug-29 | Revenue | 1 CW 2011 Bond Series |
| Pawnee Public Works Authority | CWSRF | 5,643,105 | 3.34% | 5,643,105 | 15-Feb-42 | Revenue | 1 CW 2012 Bond Series |
| Perkins Public Works Authority | CWSRF | 4,447,986 | 2.91% | 4,447,986 | 15-Sep-30 | Revenue | 1 CW 2011 Bond Series |
| Piedmont Municipal Authority | CWSRF | 1,412,901 | 2.68% | 1,412,901 | 15-Sep-30 | Revenue | 1 CW 2011 Bond Series |
| Pocola Municipal Authority | CWSRF | 339,211 | 3.18% | 339,211 | 15-Sep-21 | Revenue | 1 CW 2011 Bond Series |
| Ponca City Utility Authority | CWSRF | 3,143,766 | 3.11% | 3,143,766 | 15-Sep-29 | Revenue | 1 CW 2011 Bond Series |

| Borrower | Program | Original Loan Amount | Fixed Loan Rate | Outstanding as of January 31, 2014† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|---------------------------------------|---------|----------------------|-----------------|-------------------------------------|--------------------------------|-------------------|----------------------|
| Ponca City Utility Authority | CWSRF | \$ 320,878 | 2.59% | \$ 320,878 | 15-Mar-30 | Revenue | CW 2011 Bond Series |
| Prague Public Works Authority | CWSRF | 841,458 | 1.54% | 841,458 | 15-Sep-21 | Revenue | CW 2011 Bond Series |
| Quinton Public Works Authority | CWSRF | 708,857 | 2.92% | 708,857 | 15-Mar-35 | Revenue | Undesignated |
| Rogers County Rural Sewer District #1 | CWSRF | 302,108 | 3.20% | 302,108 | 15-Mar-21 | Revenue | CW 2011 Bond Series |
| Roland Utilities Authority | CWSRF | 3,416,769 | 3.73% | 3,416,769 | 15-Sep-30 | Revenue | CW 2011 Bond Series |
| Salina Public Works Authority | CWSRF | 1,464,880 | 2.36% | 1,464,880 | 15-Mar-39 | Revenue | Undesignated |
| Sand Springs Municipal Authority | CWSRF | 499,173 | 0.00% | 499,173 | 15-Mar-24 | Revenue | CW 2011 Bond Series |
| Sand Springs Municipal Authority | CWSRF | 539,987 | 0.00% | 539,987 | 15-Sep-22 | Revenue | CW 2011 Bond Series |
| Sperry Utility Service Authority | CWSRF | 229,607 | 2.58% | 229,607 | 15-Mar-30 | Revenue | CW 2011 Bond Series |
| Spiro Municipal Improvement Authority | CWSRF | 420,017 | 3.00% | 420,017 | 15-Mar-23 | Revenue | CW 2011 Bond Series |
| Stillwater Utilities Authority | CWSRF | 1,084,041 | 2.84% | 1,084,041 | 15-Sep-30 | Revenue | CW 2011 Bond Series |
| Stilwell Area Development Authority | CWSRF | 1,620,015 | 3.77% | 1,620,015 | 15-Feb-20 | Revenue | CW 2011 Bond Series |
| Stroud Utilities Authority | CWSRF | 559,826 | 3.12% | 559,826 | 15-Sep-31 | Revenue | CW 2012 Bond Series |
| Sulphur Municipal Authority | CWSRF | 7,268,892 | 2.73% | 7,268,892 | 15-Mar-31 | Revenue | CW 2011 Bond Series |
| Tishomingo Municipal Authority | CWSRF | 542,827 | 1.42% | 542,827 | 15-Mar-20 | Revenue | CW 2011 Bond Series |
| Tonkawa Municipal Authority | CWSRF | 573,872 | 2.70% | 573,872 | 15-Sep-23 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 21,747,930 | 2.89% | 21,747,930 | 15-Sep-32 | Revenue | CW 2012 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 4,954,401 | 2.91% | 4,954,401 | 15-Mar-32 | Revenue | CW 2012 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 9,100,100 | 3.22% | 9,100,100 | 15-Sep-31 | Revenue | CW 2012 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 3,420,784 | 0.00% | 3,420,784 | 15-Sep-26 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 721,500 | 0.00% | 721,500 | 15-Sep-25 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 2,795,004 | 0.00% | 2,795,004 | 15-Aug-21 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 1,709,005 | 0.00% | 1,709,005 | 15-Feb-20 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 703,101 | 2.43% | 703,101 | 15-Sep-34 | Revenue | CW 2012 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 800,000 | 0.00% | 800,000 | 15-Aug-23 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 14,878,819 | 3.11% | 14,878,819 | 15-Sep-33 | Revenue | CW 2012 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 618,183 | 0.00% | 618,183 | 15-Aug-16 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 916,815 | 0.00% | 916,815 | 15-Aug-17 | Revenue | CW 2011 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 6,978,365 | 2.55% | 6,978,365 | 15-Mar-34 | Revenue | CW 2012 Bond Series |
| Tulsa Metropolitan Utility Authority | CWSRF | 9,850,000 | 2.24% | - | 15-Mar-35 | Revenue | Undesignated |
| Vian Public Works Authority | CWSRF | 1,579,549 | 2.22% | 1,579,549 | 15-Aug-43 | Revenue | CW 2012 Bond Series |
| Vian Public Works Authority | CWSRF | 323,815 | 1.26% | 323,815 | 15-Feb-18 | Revenue | CW 2011 Bond Series |
| Walters Public Works Authority | CWSRF | 723,133 | 2.71% | 723,133 | 15-Sep-30 | Revenue | CW 2011 Bond Series |
| Westville Utility Authority | CWSRF | 225,579 | 2.70% | 225,579 | 15-Mar-23 | Revenue | CW 2011 Bond Series |
| Yale Water and Sewage Trust | CWSRF | 2,619,150 | 3.42% | 2,619,150 | 15-Mar-42 | Revenue | CW 2012 Bond Series |
| Adair Municipal Authority | DWSRF | 432,947 | 3.62% | 432,947 | 15-Sep-31 | Revenue | DW 2012 Bond Series |
| Bartlesville Municipal Authority | DWSRF | 381,153 | 0.00% | 381,153 | 15-Mar-24 | Revenue | DW 2013B Bond Series |
| Bartlesville Municipal Authority | DWSRF | 3,310,000 | 2.29% | 3,310,000 | 15-Sep-28 | Revenue | DW 2013A Bond Series |
| Bartlesville Municipal Authority | DWSRF | 4,823,791 | 3.28% | 4,823,791 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Bartlesville Municipal Authority | DWSRF | 36,015,000 | 3.41% | 36,015,000 | 15-Sep-36 | Revenue | DW 2011 Bond Series |
| Bartlesville Municipal Authority | DWSRF | 324,130 | 0.00% | 324,130 | 15-Mar-22 | Revenue | DW Bonds |
| Bixby Public Works Authority | DWSRF | 1,182,269 | 3.23% | 1,182,269 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Broken Arrow Municipal Authority | DWSRF | 6,950,772 | 3.50% | 6,950,772 | 15-Sep-25 | Revenue | DW 2013B Bond Series |
| Broken Arrow Municipal Authority | DWSRF | 3,442,945 | 3.11% | 3,442,945 | 15-Mar-31 | Revenue | DW 2012 Bond Series |
| Broken Arrow Municipal Authority | DWSRF | 22,518,149 | 2.94% | 22,518,149 | 15-Mar-34 | Revenue | DW 2013A Bond Series |
| Broken Bow Public Works Authority | DWSRF | 1,145,495 | 3.55% | 1,145,495 | 15-Sep-26 | Revenue | DW 2013A Bond Series |
| Broken Bow Public Works Authority | DWSRF | 4,250,193 | 3.55% | 4,250,193 | 15-Mar-28 | Revenue | DW 2013A Bond Series |
| Bryan County RWS & SWMD #2 | DWSRF | 225,891 | 3.21% | 225,891 | 15-Mar-30 | Revenue | DW 2010 Bond Series |
| Bryan County RWS & SWMD #2 | DWSRF | 247,506 | 3.56% | 247,506 | 15-Mar-20 | Revenue | DW 2013B Bond Series |
| Bryan County RWS & SWMD #2 | DWSRF | 1,288,442 | 3.55% | 1,288,442 | 15-Sep-26 | Revenue | DW 2013A Bond Series |

| Borrower | Program | Original Loan Amount | Fixed Loan Rate | Principal Outstanding as of January 31, 2014† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|---|---------|----------------------|-----------------|---|--------------------------------|-------------------|----------------------|
| Cache Public Works Authority | DW/SRF | \$ 1,026,944 | 4.00% | \$ 1,026,944 | 15-Sep-39 | Revenue | DW 2011 Bond Series |
| Central Oklahoma Master Conservancy District | DW/SRF | 1,197,633 | 2.28% | 1,197,633 | 15-Sep-26 | Revenue | DW 2013B Bond Series |
| Chandler Municipal Authority | DW/SRF | 1,996,485 | 1.99% | 1,996,485 | 15-Mar-23 | Revenue | DW 2013A Bond Series |
| Checotah Public Works Authority | DW/SRF | 4,330,705 | 3.69% | 4,331,212 | 15-Sep-28 | Revenue | DW 2013A Bond Series |
| Cherokee County Rural Water District #3 | DW/SRF | 2,972,000 | 3.04% | 2,972,000 | 15-Sep-40 | Revenue | DW 2012 Bond Series |
| Cherokee Development Authority | DW/SRF | 946,306 | 3.50% | 946,306 | 15-Sep-26 | Revenue | DW 2013B Bond Series |
| Clinton Public Works Authority | DW/SRF | 278,453 | 3.66% | 278,453 | 15-Sep-20 | Revenue | DW 2013B Bond Series |
| Comanche County Rural Water District #2 | DW/SRF | 246,560 | 3.53% | - | 15-Mar-39 | Revenue | Undesignated |
| Creek County Rural Water District #7 | DW/SRF | 275,391 | 1.61% | 275,391 | 15-Sep-20 | Revenue | DW 2013B Bond Series |
| Davis Municipal Authority | DW/SRF | 8,007,546 | 3.22% | 8,007,546 | 15-Sep-43 | Revenue | DW 2012 Bond Series |
| Delaware County Rural Water District #1 | DW/SRF | 225,220 | 3.36% | 225,220 | 15-Mar-42 | Revenue | DW 2012 Bond Series |
| Duncan Public Utilities Authority | DW/SRF | 5,000,905 | 3.50% | 5,000,905 | 15-Sep-26 | Revenue | DW 2013B Bond Series |
| Duncan Public Utilities Authority | DW/SRF | 8,108,109 | 3.29% | 8,108,109 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Duncan Public Utilities Authority | DW/SRF | 6,102,605 | 3.70% | 6,102,605 | 15-Mar-29 | Revenue | DW 2013B Bond Series |
| Duncan Public Utilities Authority | DW/SRF | 3,367,272 | 3.63% | 3,367,272 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Edmond Public Works Authority | DW/SRF | 2,102,119 | 0.00% | 2,102,119 | 15-Sep-24 | Revenue | DW 2013A Bond Series |
| El Reno Municipal Authority | DW/SRF | 750,492 | 0.00% | 750,492 | 15-Sep-21 | Revenue | DW 2013B Bond Series |
| El Reno Municipal Authority | DW/SRF | 2,195,454 | 3.09% | 2,195,454 | 15-Mar-30 | Revenue | DW 2010 Bond Series |
| El Reno Municipal Authority | DW/SRF | 321,577 | 0.00% | 321,577 | 15-Sep-23 | Revenue | DW 2013B Bond Series |
| Elgin Public Works Authority | DW/SRF | 1,215,690 | 2.30% | 1,215,690 | 15-Sep-32 | Revenue | DW 2013A Bond Series |
| Elk City Public Works Authority | DW/SRF | 6,310,731 | 3.59% | 6,310,731 | 15-Mar-41 | Revenue | DW 2011 Bond Series |
| Enid Municipal Authority | DW/SRF | 4,535,299 | 3.23% | 4,535,299 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Enid Municipal Authority | DW/SRF | 4,136,146 | 1.75% | 4,136,146 | 15-Mar-21 | Revenue | DW 2012 Bond Series |
| Enid Municipal Authority | DW/SRF | 3,432,774 | 1.71% | 3,432,774 | 15-Sep-29 | Revenue | DW 2013A Bond Series |
| Foss Reservoir Master Conservancy District | DW/SRF | 2,747,283 | 3.08% | 2,747,283 | 15-Mar-31 | Revenue | DW 2010 Bond Series |
| Frederick Public Works Authority | DW/SRF | 197,775 | 3.50% | 197,896 | 15-Mar-27 | Revenue | DW 2013A Bond Series |
| Garvin County Rural Water District #1 | DW/SRF | 1,682,425 | 3.99% | 1,682,425 | 15-Sep-41 | Revenue | DW 2012 Bond Series |
| Geary Utilities Authority | DW/SRF | 415,101 | 3.59% | 415,101 | 15-Sep-28 | Revenue | DW 2013A Bond Series |
| Goltry Public Works Authority | DW/SRF | 124,685 | 3.50% | 124,685 | 15-Sep-24 | Revenue | DW 2013B Bond Series |
| Grady County RWSG & SWMD #1 | DW/SRF | 5,000,000 | 2.50% | 5,000,000 | 15-Sep-43 | Revenue | DW 2013A Bond Series |
| Grand Lake Public Works Authority | DW/SRF | 2,535,169 | 2.75% | - | 15-Sep-34 | Revenue | Undesignated |
| Grove Municipal Services Authority | DW/SRF | 7,948,138 | 4.51% | 7,948,138 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Guthrie Public Works Authority | DW/SRF | 7,229,578 | 4.51% | 7,229,578 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Guthrie Public Works Authority | DW/SRF | 716,063 | 3.19% | 716,063 | 15-Mar-30 | Revenue | DW 2010 Bond Series |
| Harrah Public Works Authority | DW/SRF | 462,810 | 3.05% | 462,810 | 15-Mar-32 | Revenue | DW 2011 Bond Series |
| Headton Municipal Authority | DW/SRF | 569,448 | 3.35% | 569,448 | 15-Mar-40 | Revenue | DW 2011 Bond Series |
| Hennessey Utilities Authority | DW/SRF | 724,626 | 3.27% | 724,626 | 15-Sep-22 | Revenue | DW 2013B Bond Series |
| Henryetta Municipal Authority | DW/SRF | 5,978,731 | 3.07% | 5,978,731 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Holdenville Public Works Authority | DW/SRF | 1,592,631 | 1.60% | 1,592,631 | 15-Sep-20 | Revenue | DW 2013B Bond Series |
| Hominy Public Works Authority | DW/SRF | 554,944 | 2.70% | 554,944 | 15-Mar-24 | Revenue | DW 2013B Bond Series |
| Jay Utilities Authority | DW/SRF | 1,987,642 | 3.79% | 1,988,784 | 15-Sep-28 | Revenue | DW 2013A Bond Series |
| Laverne Public Works Authority | DW/SRF | 3,065,996 | 2.56% | 2,876,727 | 15-Sep-43 | Revenue | DW 2013A Bond Series |
| Lawton Water Authority | DW/SRF | 24,909,669 | 3.55% | 24,909,669 | 15-Mar-28 | Revenue | DW 2013A Bond Series |
| Lawton Water Authority | DW/SRF | 2,812,183 | 3.14% | 2,812,183 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| LeFlore County Consolidated Rural Water District #1 | DW/SRF | 156,125 | 3.50% | 156,125 | 15-Mar-25 | Revenue | DW 2013B Bond Series |
| LeFlore County Rural Water District #14 | DW/SRF | 280,553 | 2.58% | 280,553 | 15-Sep-23 | Revenue | DW 2013B Bond Series |
| Lincoln County Rural Water and Sewer District #4 | DW/SRF | 171,989 | 2.57% | 171,989 | 15-Sep-24 | Revenue | DW 2013B Bond Series |
| Lindsay Public Works Authority | DW/SRF | 1,457,453 | 1.70% | 1,457,453 | 15-Sep-21 | Revenue | Undesignated |
| Logan County Rural Water District #2 | DW/SRF | 507,319 | 3.02% | 507,319 | 15-Mar-30 | Revenue | DW 2013B Bond Series |
| Logan County RWS & SWMD #1 | DW/SRF | 550,946 | 3.03% | 550,946 | 15-Sep-31 | Revenue | DW 2010 Bond Series |

| Borrower | Program | Original Loan Amount | Fixed Loan Rate | Principal Outstanding as of January 31, 2014† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|--|---------|----------------------|-----------------|---|--------------------------------|-------------------|------------------------|
| Logan County RWS & SWMD #1 | DW/SRF | \$ 1,035,938 | 2.46% | \$ 1,035,938 | 15-Mar-33 | Revenue | DW 2012 Bond Series |
| Lone Chimney Water Association | DW/SRF | 2,227,123 | 2.70% | 2,227,123 | 15-Sep-39 | Revenue | DW 2013A Bond Series |
| Longtown Rural Water & Sewer District #1 | DW/SRF | 425,710 | 2.07% | 406,112 | 15-Mar-28 | Revenue | DW 2013A Bond Series |
| Mangum Utility Authority | DW/SRF | 1,209,196 | 3.20% | 1,209,196 | 15-Sep-23 | Revenue | DW 2013B Bond Series |
| Mayes County Rural Water District #3 | DW/SRF | 537,644 | 3.06% | 537,644 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Mayes County Rural Water District #6 | DW/SRF | 142,562 | 3.32% | - | 15-Mar-34 | Revenue | Undesignated |
| McCurain County Rural Water District #8 | DW/SRF | 3,487,523 | 3.79% | 3,487,523 | 15-Sep-40 | Revenue | DW 2011 Bond Series |
| Miami Special Utilities Authority | DW/SRF | 1,017,029 | 3.50% | 1,017,029 | 15-Sep-25 | Revenue | DW 2013B Bond Series |
| Mooreland Public Works Authority | DW/SRF | 188,824 | 2.30% | 188,824 | 15-Mar-24 | Revenue | DW 2013B Bond Series |
| Mooreland Public Works Authority | DW/SRF | 957,200 | 3.49% | 957,217 | 15-Sep-29 | Revenue | DW 2010 Bond Series |
| Muskogee Municipal Authority | DW/SRF | 22,192,109 | 3.96% | 21,987,929 | 15-Mar-32 | Revenue | DW 2010 Bond Series |
| Newcastle Public Works Authority | DW/SRF | 1,030,229 | 3.05% | 1,030,229 | 15-Sep-30 | Revenue | 1 DW 2010 Bond Series |
| Newcastle Public Works Authority | DW/SRF | 237,788 | 2.43% | 237,788 | 15-Mar-34 | Revenue | 1 DW 2013A Bond Series |
| Noble County Rural Water District #1 | DW/SRF | 311,982 | 2.56% | 311,982 | 15-Mar-34 | Revenue | 1 DW 2013A Bond Series |
| Noble Utilities Authority | DW/SRF | 1,062,375 | 3.20% | 1,062,375 | 15-Sep-31 | Revenue | 1 DW 2012 Bond Series |
| Norman Utilities Authority | DW/SRF | 10,380,263 | 3.28% | 10,380,263 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Okeene Public Works Authority | DW/SRF | 171,622 | 3.05% | 171,622 | 15-Sep-21 | Revenue | DW 2010 Bond Series |
| Oklahoma City Water Utilities Trust | DW/SRF | 5,022,555 | 3.57% | 5,022,555 | 15-Sep-40 | Revenue | DW 2013B Bond Series |
| Oklahoma City Water Utilities Trust | DW/SRF | 28,840,675 | 3.74% | 28,024,633 | 15-Mar-43 | Revenue | DW 2011 Bond Series |
| Okmulgee Municipal Authority | DW/SRF | 9,589,634 | 3.32% | 9,573,304 | 15-Mar-43 | Revenue | DW 2010 Bond Series |
| Okmulgee Municipal Authority | DW/SRF | 2,778,863 | 3.28% | 2,778,863 | 15-Sep-31 | Revenue | 1 DW 2012 Bond Series |
| Okmulgee Municipal Authority | DW/SRF | 4,079,341 | 3.32% | 4,079,341 | 15-Mar-32 | Revenue | 1 DW 2012 Bond Series |
| Osage County Rural Water District #21 | DW/SRF | 1,169,819 | 2.23% | 1,051,976 | 15-Sep-33 | Revenue | 1 DW 2013A Bond Series |
| Osage County RWMD #15 | DW/SRF | 2,108,163 | 3.78% | 2,108,163 | 15-Mar-28 | Revenue | DW 2013A Bond Series |
| Pauls Valley Municipal Authority | DW/SRF | 7,092,001 | 3.79% | 7,092,001 | 15-Sep-30 | Revenue | 1 DW 2010 Bond Series |
| Pawnee Public Works Authority | DW/SRF | 1,592,033 | 2.74% | 1,592,033 | 15-Feb-33 | Revenue | 1 DW 2012 Bond Series |
| Perry Municipal Authority | DW/SRF | 340,073 | 2.34% | 340,073 | 15-Sep-20 | Revenue | 1 DW 2010 Bond Series |
| Piedmont Municipal Authority | DW/SRF | 3,522,097 | 3.55% | 3,522,097 | 15-Mar-29 | Revenue | 1 DW 2013A Bond Series |
| Pittsburg County Water Authority | DW/SRF | 722,393 | 3.50% | 722,393 | 15-Mar-24 | Revenue | DW 2013B Bond Series |
| Ponca City Utility Authority | DW/SRF | 1,608,497 | 3.06% | 1,608,497 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Pottawatomie County Development Authority | DW/SRF | 256,590 | 3.50% | 256,590 | 15-Mar-26 | Revenue | DW 2013B Bond Series |
| Rogers County Rural Water District #3 | DW/SRF | 3,772,944 | 3.46% | 3,772,944 | 15-Sep-29 | Revenue | DW 2010 Bond Series |
| Rogers County Rural Water District #4 | DW/SRF | 1,576,597 | 3.55% | 1,576,597 | 15-Mar-27 | Revenue | DW 2013A Bond Series |
| Rogers County Rural Water District #5 | DW/SRF | 3,819,739 | 3.69% | 3,819,739 | 15-Sep-28 | Revenue | DW 2013B Bond Series |
| Rogers County Rural Water District #6 | DW/SRF | 2,708,596 | 3.20% | 2,708,596 | 15-Mar-42 | Revenue | DW 2011 Bond Series |
| Rogers County Rural Water District #7 | DW/SRF | 439,398 | 3.13% | 439,398 | 15-Sep-28 | Revenue | DW 2010 Bond Series |
| Rush Springs Municipal Improvement Authority | DW/SRF | 191,509 | 3.50% | 191,509 | 15-Sep-24 | Revenue | DW 2013B Bond Series |
| Salina Public Works Authority | DW/SRF | 480,785 | 2.76% | 480,785 | 15-Sep-43 | Revenue | 1 DW 2013A Bond Series |
| Sallisaw Municipal Authority | DW/SRF | 4,590,608 | 3.08% | 4,590,608 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Sand Springs Municipal Authority | DW/SRF | 2,168,649 | 3.11% | 2,168,649 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Shattuck Municipal Authority | DW/SRF | 1,352,239 | 2.90% | 1,352,239 | 15-Sep-42 | Revenue | 1 DW 2012 Bond Series |
| Shawnee Municipal Authority | DW/SRF | 6,007,119 | 3.15% | 6,007,119 | 15-Mar-31 | Revenue | DW 2010 Bond Series |
| Shawnee Municipal Authority | DW/SRF | 1,086,802 | 2.76% | 1,086,802 | 15-Mar-31 | Revenue | DW 2011 Bond Series |
| Stillwater Utilities Authority | DW/SRF | 1,365,393 | 0.00% | 1,365,393 | 15-Sep-21 | Revenue | 1 DW 2013B Bond Series |
| Stillwater Utilities Authority | DW/SRF | 9,133,280 | 3.34% | 9,133,280 | 15-Sep-32 | Revenue | 1 DW 2010 Bond Series |
| Stroud Utilities Authority | DW/SRF | 1,560,756 | 2.30% | 1,560,756 | 15-Sep-28 | Revenue | 1 DW 2013A Bond Series |
| Sulphur Municipal Authority | DW/SRF | 1,333,775 | 3.55% | 1,333,775 | 15-Mar-27 | Revenue | DW 2013B Bond Series |
| Tablequah Public Works Authority | DW/SRF | 14,567,322 | 3.49% | 14,480,857 | 15-Mar-41 | Revenue | DW 2011 Bond Series |
| Tablequah Public Works Authority | DW/SRF | 1,364,252 | 2.28% | 1,364,252 | 15-Mar-23 | Revenue | DW 2012 Bond Series |
| Tecumseh Utility Authority | DW/SRF | 4,000,000 | 3.14% | - | 15-Mar-34 | Revenue | 1 Undesignated |

| Borrower | Program | Original Loan Amount | Fixed Loan Rate | Principal Outstanding as of January 31, 2014† | Expected Date of Final Payment | Source of Payment | Pledged to: |
|---|---------|----------------------|-----------------|---|--------------------------------|-------------------|----------------------|
| Tonkawa Municipal Authority | DWSRF | \$ 767,615 | 2.70% | \$ 767,615 | 15-Sep-23 | Revenue | DW 2013B Bond Series |
| Tulsa Metropolitan Utility Authority | DWSRF | 3,374,310 | 3.32% | 3,374,310 | 15-Sep-31 | Revenue | DW 2010 Bond Series |
| Tyrone Public Works Authority | DWSRF | 156,580 | 3.50% | 156,580 | 15-Sep-24 | Revenue | DW 2013B Bond Series |
| Vinita Utilities Authority | DWSRF | 361,398 | 3.50% | 361,398 | 15-Sep-25 | Revenue | DW 2013B Bond Series |
| Wagoner County Rural Water District #5 | DWSRF | 3,518,595 | 3.55% | 3,518,595 | 15-Mar-27 | Revenue | DW 2013A Bond Series |
| Wagoner County Rural Water District #5 | DWSRF | 1,172,681 | 3.66% | 1,172,681 | 15-Mar-29 | Revenue | DW 2010 Bond Series |
| Wagoner County Rural Water District #7 | DWSRF | 1,434,290 | 3.26% | 1,434,290 | 15-Mar-28 | Revenue | DW 2013B Bond Series |
| Wagoner County RWSG & SWMD #4 | DWSRF | 4,580,085 | 2.85% | 4,580,085 | 15-Sep-31 | Revenue | DW 2012 Bond Series |
| Wagoner Public Works Authority | DWSRF | 732,797 | 3.05% | 732,797 | 15-Sep-30 | Revenue | DW 2010 Bond Series |
| Wagoner Public Works Authority | DWSRF | 896,032 | 2.17% | 896,032 | 15-Mar-28 | Revenue | DW 2013A Bond Series |
| Wagoner Public Works Authority | DWSRF | 1,307,493 | 3.62% | - | 15-Mar-35 | Revenue | Undesignated |
| Washington County Rural Water District #3 | DWSRF | 13,268,783 | 3.49% | 13,268,783 | 15-Sep-41 | Revenue | DW 2011 Bond Series |
| Waynoka Utilities Authority | DWSRF | 823,998 | 3.50% | 823,998 | 15-Mar-24 | Revenue | DW 2013B Bond Series |
| Woodward Municipal Authority | DWSRF | 1,496,231 | 3.08% | 1,496,231 | 15-Mar-31 | Revenue | DW 2010 Bond Series |
| | | | | <u>\$777,592,623</u> | | | |

† Amounts equal to the unpaid principal balance on prior draws plus any committed but undrawn funds.

Revenue: All Borrowers have pledged revenues from either operations of water or sewer system and also may pledge solid waste disposal, electric or gas system revenues or a combination thereof.

(1) Pledge of system revenues plus sales tax revenues.

(2) Pledge of system revenues plus telephone revenues.

(3) Pledge of system revenues plus operations and maintenance revenues.

(4) Pledge of system revenues plus sales tax revenues plus golf course revenues.

(5) Pledge of system revenues plus sales tax revenues plus internet and cable TV revenues.

APPENDIX J

AUDITED FINANCIAL STATEMENTS OF THE CWSRF AND DWSRF PROGRAMS

Audited Financial Statements for Fiscal Years Ended June 30, 2013 and 2012.

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State of Oklahoma



WATER RESOURCES BOARD
the water agency

**OKLAHOMA CLEAN WATER STATE REVOLVING
FUND LOAN ACCOUNT PROGRAM**

**ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012
AND INDEPENDENT AUDITOR'S REPORTS**

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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As of and for the Years Ended June 30, 2013 and 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Oklahoma Water Resources Board

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Water Resources Board/Oklahoma Clean Water State Revolving Fund Loan Account Program (the "Program") as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Arlidge & Associates, P.C.

Edmond, Oklahoma
September 23, 2013

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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MANAGEMENT'S DISCUSSION AND ANALYSIS

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Oklahoma Clean Water State Revolving Loan Fund Account Program's (the "Program") financial performance provides an overview of the Program's financial activities for the fiscal years ended June 30, 2013 and 2012. Please read it in conjunction with the Program's financial statements, which begin on page 10. The Oklahoma Water Resources Board (the "Board") administers the Program.

Program Highlights

- During FY 2013, ten (10) construction loan commitments totaling approximately \$50.8 million were made to protect, maintain and improve waters of the State towards the "fishable/swimmable" goals of the Clean Water Act.
- During FY 2013, the Program saw eleven (11) projects begin construction and twenty-five (25) projects complete construction and initiate operations.
- The Program made binding commitments for three (3) new construction loans and two (2) refinancing loans, totaling approximately \$23.2 million, for communities discharging to priority stream segments identified as threatened or impaired on the Impaired Waterbodies List (Section 303(d)) of Oklahoma's Integrated Water Quality Assessment Report.
- Nine (9) of ten (10) projects funded were proposed to assist Oklahoma communities to attain compliance with the enforceable permit requirements of the Clean Water Act in place to protect the water quality of receiving streams and lakes.

Financial Highlights

- The Program experienced a net decrease in the number of outstanding loans in FY 2013. At June 30, 2013 there were 191 outstanding loans with a principal balance of \$441,684,544. At June 30, 2012 the Program had 195 loans with a balance of \$396,110,792.
- Ending Program net position increased from \$303,790,698 to \$316,299,026 between FY 2012 and FY 2013 of which \$38,261,162 is restricted for debt service. Ending Program net position increased from \$282,544,600 to \$303,790,698 between FY 2011 and FY 2012 of which \$42,512,086 is restricted for debt service.

Using This Annual Report

This annual report is presented in a format that substantially meets the presentation requirements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles. The Program is accounted for and presented similar to a special-purpose government engaged solely in business-type activities.

(Unaudited. See accompanying auditor's report.)

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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The financial statements for the Program are presented after the Management’s Discussion and Analysis in this annual report and then followed by the footnotes in this order:

- **Management’s Discussion and Analysis** – that provides useful analysis that facilitates a better understanding of the Program’s financial condition and changes therein.
- **Basic Financial Statements**
 - Statements of Net Position
 - Statements of Revenues, Expenses and Changes in Net Position
 - Statements of Cash Flows
- **Footnotes** - that elaborate on the accounting principles used in the preparation of the financial statements and further explain financial statement elements.

A Financial Analysis of the Program

One of the most frequently asked questions about the Program’s finances is, “Has the overall financial condition improved, declined or remained steady over the past year?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Program as a whole and about its activities in a way that helps answer this question. The following tables present a condensed comparative presentation of net assets and changes therein.

| Oklahoma Water Resources Board | | | |
|---------------------------------------|-----------------------|---------------------------|---------------------------|
| CWSRF Loan Account Program | | | |
| Net Position | | | |
| | Business-Type | | |
| | Activities | | |
| | June 30 | | |
| | 2013 | Restated, 2012 | Restated, 2011 |
| Current assets | \$ 134,470,154 | \$ 66,730,105 | \$ 120,181,477 |
| Non-current assets | 456,444,283 | 422,142,288 | 358,598,714 |
| Total assets | 590,914,437 | 488,872,393 | 478,780,191 |
| Current liabilities | 14,614,282 | 12,798,125 | 12,414,539 |
| Non-current liabilities | 260,001,129 | 172,283,570 | 183,821,052 |
| Total liabilities | 274,615,411 | 185,081,695 | 196,235,591 |
| Net position | | | |
| Restricted | 38,261,162 | 42,512,086 | 43,065,369 |
| Unrestricted | 278,037,864 | 261,278,612 | 239,479,231 |
| Total net position | \$ 316,299,026 | \$ 303,790,698 | \$ 282,544,600 |

The increase in total assets is attributable to the issuance of new loans and the increase in investments from long-term debt proceeds not spent. The increase in non-current liabilities in fiscal year 2013 is directly attributable to the issuance of \$86,505,000 in revenue bonds.

(Unaudited. See accompanying auditor’s report.)

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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Oklahoma Water Resources Board
CWSRF Loan Account Program
Revenues, Expenses, and Changes in Net Position

| | Business-Type | | |
|---------------------------------------|-----------------------------|--------------------------|--------------------------|
| | Activities | | |
| | Years Ended June 30, | | |
| | <u>2013</u> | Restated, <u>2012</u> | Restated, <u>2011</u> |
| Revenues | | | |
| Loan program income, net | \$ 9,260,511 | \$ 7,728,248 | \$ 5,900,679 |
| Federal grants | - | - | 273,022 |
| Investment interest income | 2,364,964 | 4,264,024 | 2,717,568 |
| Total revenues | <u>11,625,475</u> | <u>11,992,272</u> | <u>8,891,269</u> |
| Expenses | | | |
| Trustee fees | 30,758 | 23,434 | 15,955 |
| Administration expenses | 67,063 | 32,993 | 846,532 |
| Interest expense | 9,251,787 | 7,724,254 | 5,162,409 |
| Bond issuance costs | 579,099 | - | - |
| Total expenses | <u>9,928,707</u> | <u>7,780,681</u> | <u>6,024,896</u> |
| Net Income before transfers | 1,696,768 | 4,211,591 | 2,866,373 |
| Federal grants | 14,020,727 | 25,145,121 | 29,661,879 |
| Federal grant principal forgiveness | (3,236,354) | (5,160,884) | (6,435,220) |
| Transfers from other programs | 27,187 | 50,270 | 12,816 |
| Transfers to other programs | - | (3,000,000) | - |
| Increase in net position | <u>12,508,328</u> | <u>21,246,098</u> | <u>26,105,848</u> |
| Total net position - beginning | 303,790,698 | 282,544,600 | 256,438,752 |
| Total net position - ending | <u>\$ 316,299,026</u> | <u>\$ 303,790,698</u> | <u>\$ 282,544,600</u> |

The decrease in Federal Grant Revenue in 2013 is attributable to the ending of grant funds related to the American Reinvestment Recovery Act. The Program received funds to provide for additional subsidization to Oklahoma Borrowers for projects which met provisions of EPA's appropriations. OWRB provided \$3,236,354 in principal forgiveness to Borrowers in FY 13 compared to \$5,160,884 in FY 12. In FY13 and FY12 OWRB received no administrative fee related to the program. In addition, the Program received \$10,784,373 in net Federal Capitalization Grants in FY 2013 compared to \$19,984,237 in FY 2012.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA WATER RESOURCES BOARD
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The OWRB is authorized by the EPA to transfer up to 33% of the Drinking Water Federal Capitalization Grants from the Fund. During 2012, management elected to transfer \$3,000,000 to the Drinking Water State Revolving Fund Loan program, but did not elect this option in 2013 or 2011. These transfers are included in Transfers to other programs.

Long- Term Debt

At year-end, the Program had \$245,465,000 in long-term debt outstanding, net of unamortized premium, which represents a \$75,745,000 or 44.6% increase from June 30, 2012 to June 30, 2013. Debt decreased \$10,075,000, or 5.6%, from 2011 to 2012. The Program's changes in long-term debt by type of debt are as follows:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-----------------------|-----------------------|-----------------------|
| Beginning balances: | | | |
| 2004 Serial bonds due April 1, 2014 to April 1, 2026, interest at 3.50% to 5.25% | \$ 88,935,000 | \$ 94,795,000 | \$ 100,435,000 |
| 2011 Serial bonds due April 1, 2014 to April 1, 2031, interest at 4.0% to 5.0% | 80,785,000 | 85,000,000 | 85,000,000 |
| Unamortized premium | 13,323,570 | 14,101,052 | 14,518,095 |
| | <u>\$ 183,043,570</u> | <u>\$ 193,896,052</u> | <u>\$ 199,953,095</u> |
| Add: 2012 Serial bonds due April 1, 2014 to April 1, 2033, interest at 2.00% to 5.00% | 86,505,000 | - | - |
| Add: 2012 Bond premium | 14,172,391 | - | - |
| Less: debt principal repayments | (10,760,000) | (10,075,000) | (5,640,000) |
| Less: current amortization of premium | (1,224,832) | (777,482) | (417,043) |
| Ending balances | <u>\$ 271,736,129</u> | <u>\$ 183,043,570</u> | <u>\$ 193,896,052</u> |
| Amounts due in one year | 11,735,000 | 10,760,000 | 10,075,000 |

See Note 6 to the financial statements for more detailed information on the Program's long-term debt and changes therein.

Economic Factors and Next Year's Outlook

As a result of the widespread need for wastewater financing and efforts by the OWRB to implement a "lower than market rate" loan program, we continue to receive an overwhelming response from communities across the state requesting their projects be added to the five-year CWSRF Project Priority List. To date, communities have made requests for seventeen (17) construction and refinancing projects in FY 2014 totaling over \$151 million. An additional \$178 million in projects has been requested through 2018.

Contacting the Program's Financial Management

This financial report is designed to provide the Board's accountability of the Program. If you have questions about this report or need additional financial information, contact the Financial Assistance Division of the Oklahoma Water Resources Board at 3800 N. Classen Blvd, Oklahoma City, OK 73118.

(Unaudited. See accompanying auditor's report.)

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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BASIC FINANCIAL STATEMENTS

OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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Statements of Net Position – June 30, 2013 and 2012

| | <u>2013</u> | <u>Restated, 2012</u> |
|---|--------------------------|---------------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash and cash equivalents | \$27,115,141 | \$28,325,238 |
| Investments | 74,148,857 | 11,370,758 |
| Loans receivable | 30,300,839 | 23,989,260 |
| Due from other programs | 500 | 266,837 |
| Interest receivable: | | |
| Loans receivable | 2,671,014 | 2,507,564 |
| Other interest receivable | 233,803 | 270,448 |
| Total current assets | <u>134,470,154</u> | <u>66,730,105</u> |
| Noncurrent Assets: | | |
| Loans receivable, net of current portion and allowance for uncollectible loans of \$79,286 in 2013 and \$319,726 in 2012 | 411,383,705 | 372,121,532 |
| Restricted Investments | 38,261,162 | 42,512,086 |
| Investments | 6,799,416 | 7,508,670 |
| Total noncurrent assets | <u>456,444,283</u> | <u>422,142,288</u> |
| Total assets | <u>590,914,437</u> | <u>488,872,393</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| Accrued interest payable | 2,870,994 | 2,028,675 |
| Current maturities of long-term debt | 11,735,000 | 10,760,000 |
| Other accrued liabilities | 8,288 | 5,731 |
| Due to other programs | - | 3,719 |
| Total current liabilities | <u>14,614,282</u> | <u>12,798,125</u> |
| Noncurrent liabilities: | | |
| Long-term debt, less current maturities and plus unamortized premium | 260,001,129 | 172,283,570 |
| Total noncurrent liabilities | <u>260,001,129</u> | <u>172,283,570</u> |
| Total liabilities | <u>274,615,411</u> | <u>185,081,695</u> |
| NET POSITION: | | |
| Restricted for debt service | 38,261,162 | 42,512,086 |
| Unrestricted | 278,037,864 | 261,278,612 |
| Total net position | <u>\$316,299,026</u> | <u>\$303,790,698</u> |

See accompanying notes to the basic financial statements.

**OKLAHOMA WATER RESOURCES BOARD
OKLAHOMA CLEAN WATER STATE REVOLVING FUND LOAN ACCOUNT PROGRAM
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Statements of Revenues, Expenses and Changes in Net Position – Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>Restated, 2012</u> |
|---|-----------------------------|-----------------------------|
| OPERATING REVENUES: | | |
| Loan program income (net of bad debt recovery of \$240,441 in 2013 and bad debt expense of \$261,932 in 2012) | \$9,260,511 | \$7,728,248 |
| Total operating revenues | <u>9,260,511</u> | <u>7,728,248</u> |
| OPERATING EXPENSES: | | |
| Trustee fees | 30,758 | 23,434 |
| Administration expenses | 67,063 | 32,993 |
| Interest expense | 9,251,787 | 7,724,254 |
| Bond issuance costs | 579,099 | - |
| Total operating expenses | <u>9,928,707</u> | <u>7,780,681</u> |
| OPERATING INCOME (LOSS) | (668,196) | (52,433) |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Federal grants and contracts | 14,020,727 | 25,145,121 |
| Federal grant principal forgiveness | (3,236,354) | (5,160,884) |
| Interest Income: | | |
| Invested cash balances | 252,183 | 853,090 |
| Short-term investments | 54,938 | 159,455 |
| Long-term investments | 2,347,097 | 2,209,109 |
| Gain/(Loss) on Investments | <u>(289,254)</u> | <u>1,042,370</u> |
| Total non-operating revenues | <u>13,149,337</u> | <u>24,248,261</u> |
| Net income before transfers | 12,481,141 | 24,195,828 |
| Transfers in - Clean Water Revolving Fund Loan Administrative Fund | 27,187 | 50,270 |
| Transfers out - Drinking Fund Revolving Fund Loan Program | <u>-</u> | <u>(3,000,000)</u> |
| Change in net position | 12,508,328 | 21,246,098 |
| Total net position - beginning | 303,790,698 | 282,544,600 |
| Total net position - ending | <u><u>\$316,299,026</u></u> | <u><u>\$303,790,698</u></u> |

See accompanying notes to the basic financial statements.

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Statements of Cash Flows – Years Ended June 30, 2013 and 2012

| | 2013 | 2012 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Collections of interest on loans to local governmental units | \$8,856,620 | \$6,967,509 |
| Payments to other suppliers | (95,264) | (132,632) |
| Payments to other programs | (500) | - |
| Payments from other programs | 263,118 | (304,620) |
| Interest paid on debt | (9,634,300) | (8,422,325) |
| | <u>(610,326)</u> | <u>(1,892,068)</u> |
| Net Cash Provided by (Used in) Operating Activities | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers in - Clean Water Revolving Fund Loan Administrative Fund | 27,187 | 50,270 |
| Transfers out - Drinking Fund Revolving Fund Loan Program | - | (3,000,000) |
| Federal grant receipts | 14,020,727 | 25,145,121 |
| Bond issue proceeds | 86,505,000 | - |
| Bond issue cost | (579,099) | - |
| Premium on bonds issued | 14,172,391 | - |
| Principal paid on bonds/notes | (10,760,000) | (10,075,000) |
| | <u>103,386,206</u> | <u>12,120,391</u> |
| Net Cash Provided by Noncapital Financing Activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Loans to local governmental units | (74,774,679) | (94,575,809) |
| Collections of principal on loans to local governmental units | 22,968,660 | 21,375,648 |
| Collections of principal on loans to local governmental units from federal grant proceeds | 3,236,354 | 5,160,884 |
| Interest on invested cash balances | 271,349 | 865,960 |
| Interest on short-term investments | 54,626 | 159,907 |
| Interest on long-term investments | 2,075,634 | 3,265,419 |
| Purchase (sale) of long-term investments | 4,960,178 | 894,631 |
| Sale (purchase) of short-term investments | (62,778,099) | 48,647,045 |
| | <u>(103,985,977)</u> | <u>(14,206,315)</u> |
| Net Cash Provided by (Used in) Investing Activities | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,210,097) | (3,977,992) |
| Balances - beginning of the year | 28,325,238 | 32,303,230 |
| Balances - end of the year | \$27,115,141 | \$28,325,238 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating income (loss) | (\$668,196) | (\$52,433) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Amortization of note issuance discounts (premiums) | (1,224,832) | (777,482) |
| Bond issuance costs | 579,099 | - |
| Allowance for uncollectible loans | (240,441) | (261,932) |
| Change in assets and liabilities: | | |
| Decrease (Increase) in due from other programs | 266,337 | - |
| Decrease (Increase) in interest receivable | (163,450) | (498,807) |
| Increase (Decrease) in other current liabilities | 2,537 | (76,205) |
| Increase (Decrease) in accrued interest payable | 842,319 | 79,411 |
| Increase (Decrease) in due to other funds | (3,719) | (304,620) |
| | <u>(\$610,326)</u> | <u>(\$1,892,068)</u> |
| Net Cash Provided by (Used in) Operating Activities | | |
| Non-cash Transactions: | | |
| Recovery of long-term receivable | \$240,441 | - |
| Total Non Cash Transactions | \$240,441 | - |

See accompanying notes to the basic financial statements.

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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

Reporting Entity

The Oklahoma Water Resources Board/Oklahoma Wastewater Facility Construction Revolving Loan Account Program (the "Program") was created pursuant to the 1987 Amendments (P.L. 100-4) to the "Clean Water Act" (P.L. 92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities. The Program funds loans with Federal grants, State matching funds, principal repayments, bond proceeds, and interest received on loans and invested cash balances. State matching funds are provided through State appropriations or through the issuance of notes payable.

Administrative costs of the Oklahoma Water Resources Board ("OWRB") allocated to the Program may be reimbursed by the Program, limited to 4% of total cumulative Federal contributions or through fees assessed to each participating borrower at the rate of one-half of one percent per annum of the amount of each borrower's loan balance outstanding, and loan application fees. The fees paid by the participating borrowers are remitted directly to OWRB and, therefore, are not included in the accompanying financial statements.

The significant accounting principles and practices followed by the Program are presented below:

Basis of Accounting and Measurement Focus

The Program is accounted for and presented similar to a special-purpose government engaged solely in business type activities.

The Program uses the accrual basis of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned.

The Program uses the economic resources measurement focus where all assets, liabilities, net position, revenues, expenses and transfers relating to the Program and net income and capital maintenance are measured.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB").

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1. Summary of Significant Accounting Policies (cont'd)

Loans Receivable and Allowance for Uncollectible Loans

Loans receivable are stated at the amount of unpaid principal reduced by an allowance for uncollectible loans. The allowance for uncollectible loans is established through a provision for bad debts that is charged to expense. Loans receivable are charged against the allowance for uncollectible loans when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans receivable that may become uncollectible, based on evaluations of the collectability of loans receivable. The evaluations take into consideration such factors as the borrowers' debt coverage ratio, review of specific problem loans receivable and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan receivable when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful.

Federal Letter of Credit Payments Receivable

Funding from Federal grants, which have been approved, is provided through a Federal letter of credit. Timing of deposits is specified by the terms of the grant. The Program draws on the available funds as necessary to fund loans. Letter of Credit Payment Receivables are recorded only when the required State match has been met and actual requests for loan draws have been received by the Program. When these events have occurred, the Program records the receivable and federal revenue for the amount of the loan request.

Federal Grant Income

Federal grant income represents contributions from the Environmental Protection Agency ("EPA") of the U.S. Federal Government. In the unlikely circumstance of termination of the Program, all Federal and State contributions are refundable to the respective governments upon liquidation of the Program's assets.

During FY 2013 and 2012, the program received federal grant income under the American Recovery and Reinvestment Act. Proceeds under this program were used to forgive principal for Borrowers meeting the requirements of the Act. For FY 2013 and 2012, \$2,391,727 and \$1,897,545, respectively, was provided for principal forgiveness under the program.

Bond Issue Premium

The Program's State Revolving Fund Revenue Bonds, Series 2004 were initially sold at a premium of \$7,161,445. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$319,082 was recorded in 2013 and 2012 and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

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1. Summary of Significant Accounting Policies (cont'd)

The Program's State Revolving Fund Revenue Bonds, Series 2011 were initially sold at a premium of \$9,167,991. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$458,400 was recorded in 2013 and 2012 and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

The Program's State Revolving Fund Revenue Bonds, Series 2012 were initially sold at a premium of \$14,172,391. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$447,350 was recorded in 2013 and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net position.

Cash and Cash Equivalents

The Program considers all highly liquid debt instruments purchased with an original maturity of three months or less and money market funds to be cash equivalents.

Investments

Included in the total is \$38,261,162, which has been deposited into a Debt Service Reserve fund, pursuant to the bond indenture (See Note 5).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash Deposits and Investment Risk

Cash of \$27,108,289 and \$28,322,000 at June 30, 2013 and 2012 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*. In addition to the \$27,108,289 and \$28,322,000, there is a cash balance of \$6,852 and \$3,238 on deposit with BancFirst at the end of June 30, 2013 and 2012. Short-term investments of \$74,148,857 and \$11,370,758 at June 30, 2013 and 2012, respectively, were on deposit with the Program's trustee. The deposits are invested in the *Federated Treasury Obligations and the Goldman Sachs Financial SQ Treasury Obligation Fund Admin* mutual funds.

Investment Interest Rate Risk – the Program does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as it relates to funds not directly associated with bond issue proceeds.

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2. Cash Deposits and Investment Risk (cont'd)

Investment Credit Risk-Non Debt Proceeds – for non-debt proceeds, the Program has no investment policy that limits its investment choices other than the limitation of state law imposed on the State Treasurer as follows:

- a. U.S. Treasury Bills, Notes and Bonds and U.S. Government Agency Securities with certain ratings and maturity limitations.
- b. Collateralized or insured certificates of deposit and other evidences of deposit issued by a bank, savings bank, savings and loan association or credit union located in the state.
- c. With certain ratings and maturity limitations, negotiable certificates of deposit, bankers acceptances and commercial paper.
- d. Obligations of state and local governments, including obligations of Oklahoma state public trusts, with certain ratings and maturity limitations.
- e. Collateralized repurchase agreements tri-party repurchase agreements.
- f. Money market mutual funds and short term bond funds regulated by the SEC and in which investments consist of obligations of the U.S. Government and its agencies and instrumentalities and repurchase agreements collateralized by obligations of the U.S. Government and its agencies and instrumentalities.

The State Treasurer has determined that current holdings in OK Invest should be limited to obligations of the United States government, its agencies and instrumentalities, tri-party repurchase agreements collateralized at 102% with the collateral held by a third party in the name of the Oklahoma State Treasurer and money market mutual funds which either directly or indirectly invest in U.S. Treasury and/or Agency securities and repurchase agreements related to such securities. OK Invest is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Investment Credit Risk - Debt Proceeds – for debt proceeds, the bond indenture provides for restrictions on the investment choices of the Program as follows:

- a. Obligations of the United States Government, its agencies and instrumentalities.
- b. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations or credit unions located in the State of Oklahoma.
- c. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items specified in (a) and (b) above.
- d. Investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency.

At June 30, 2013 and 2012, the Program's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were rated as follows:

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2. Cash Deposits and Investment Risk (cont'd)

| <u>Type</u> | <u>Maturities</u> | <u>Credit Rating</u> | <u>Carrying Value</u> | |
|--|-------------------|----------------------|-----------------------|----------------------|
| | | | <u>2013</u> | <u>2012</u> |
| OK Invest (State Treasurer) | Less than 2 years | Not rated. | \$ 27,108,289 | \$ 28,322,000 |
| Federated Treasury Obligations Fund | 16 days | AAAm | 8,235,249 | 11,370,758 |
| Goldman Sachs Financial SQ Treasury Obligation Fund Admin | | AAAm | 65,913,524 | - |
| City of Lawton Municipal Bond | 10/1/2028 | Not rated. | 6,799,416 | 7,508,670 |
| Reserve Fund | 4/1/2027 | AAAm | 37,563,796 | 40,403,171 |
| Revenue Fund | 4/1/2027 | AAAm | 697,366 | 2,108,915 |
| Total | | | <u>\$ 146,317,640</u> | <u>\$ 89,713,514</u> |

Concentration of Investment Credit Risk -- neither the Program nor the bond indenture place any limit on the amount the Program may invest in any one issuer. The Program has the following concentration of credit risk at June 30, 2013: 26.51% or \$38,261,162 is invested in a guaranteed investment agreement with Transamerica Occidental Life Insurance Company, 5.63% or \$8,235,249 is invested in Federated Treasury money market funds, 45.05% or \$65,913,524 is invested in Goldman Sachs Financial SQ Treasury Obligation Admin Fund, and 18.53% or \$27,108,289 is invested in OK Invest.

At June 30, 2012, the Program has the following concentration of credit risk at June 30, 2012: 47.39% or \$42,512,086 is invested in a guaranteed investment agreement with Transamerica Occidental Life Insurance Company, 12.67% or \$11,370,758 is invested in Federated Treasury money market funds, and 31.57% or \$28,322,000 is invested in OK Invest.

3. Federal Letter of Credit Payments Receivable

A schedule of activity in the Federal letter of credit payments receivable account, as reflected in the accompanying statements of net assets, for the years ended June 30, 2013 and 2012, is as follows:

| | |
|----------------------------|---------------------|
| Balance, June 30, 2011 | \$ - |
| Federal revenue recognized | 25,145,121 |
| Federal funds withdrawn | <u>(25,145,121)</u> |
| Balance, June 30, 2012 | \$ - |
| Federal revenue recognized | 14,020,727 |
| Federal funds withdrawn | <u>(14,020,727)</u> |
| Balance, June 30, 2013 | <u>\$ -</u> |

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3. Federal Letter of Credit Payments Receivable (cont'd)

Of the Federal letter of credit payments withdrawn during the fiscal year ended June 30, 2013, \$10,784,373 was used to provide loans to borrowers, \$3,236,354 was used for debt forgiveness and no funds were used for administrative expenses. As of June 30, 2013, the Program has no remaining EPA grant funding available.

Of the Federal letter of credit payments withdrawn during the fiscal year ended June 30, 2012, \$19,984,237 was used to provide loans to borrowers, \$5,160,884 was used for debt forgiveness and no funds were used for administrative expenses. During FY-2012 \$80,573 of the 4% administration fee available to the Program was used to pay for administration costs of the Program. As of June 30, 2012, the Program has EPA grant funding available for its use totaling \$2,601,727.

4. Loans Receivable

The Program originates direct loans with communities utilizing several sources of funds including existing loan principal repayments, interest earnings, federal grants and bond funds. These loans are collateralized by various revenue sources including, but not limited to, user charges and sales taxes of the borrowers. These loans are made at 60% of the current market interest rate. At June 30, 2013 and 2012, there were \$405,598,063 and \$354,547,841, respectively, in loans outstanding. As of June 30, 2013, the Program had unexpended commitments to borrowers for additional loan funds in the amount of \$117,483,384.

Prior to FY-2007, the Board originated interim construction loans that would upon completion provide the borrowers the opportunity to refinance 40% of their outstanding interim loan balance on a long-term basis without interest. Such loans were collateralized by various revenue sources including, but not limited to, user charges and sales taxes of the borrowers. To avail themselves of this opportunity, the borrowers obtained funding for the remaining 60% of the outstanding loan from sources outside the Program. This is no longer an option for the Program. At June 30, 2013 and 2012, there were \$36,165,767 and \$41,562,951, respectively, in long-term interest-free loans outstanding.

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4. Loans Receivable (cont'd)

A schedule of activity of loans receivable for the years ended June 30, 2013 and 2012, is as follows:

| | | |
|---|----|---------------------------|
| Net Balance, June 30, 2011 | \$ | 328,333,447 |
| Loan disbursements | | 94,575,809 |
| Principal repayments | | (26,536,532) |
| | | <u>396,372,724</u> |
| Change in allowance for uncollectible loans | | <u>(261,932)</u> |
| Net Balance, June 30, 2012 | \$ | 396,110,792 |
| Loan disbursements | | 74,774,679 |
| Principal repayments | | (29,441,368) |
| | | <u>441,444,103</u> |
| Change in allowance for uncollectible loans | | <u>240,441</u> |
| Net Balance, June 30, 2013 | \$ | <u><u>441,684,544</u></u> |

5. Restricted Investments

A description of the restricted investments held at June 30, 2013 and 2012, is as follows:

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Guaranteed investment with Transamerica Occidental Life Insurance Co. pursuant to an investment agreement, 4.61% maturing April 1, 2027 (restricted for debt service) | 38,261,162 | 42,512,086 |
| Total restricted investments | <u>\$38,261,162</u> | <u>\$42,512,086</u> |

The agreement with Transamerica Occidental Life Insurance Co./Transamerica Life Insurance and Annuity Co. ("Transamerica"), are uninsured and non-collateralized so long as Transamerica maintains certain specified credit ratings. If these credit ratings are not maintained, Transamerica is required to collateralize the investment agreement sufficient to maintain an S & P or Moody's rating of "AA-" or "Aa3", respectively, on the contract. The S & P credit rating for Transamerica at June 30, 2013 was AA-. The investment is carried at cost, which approximates fair value.

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6. Long-Term Debt

Bonds Payable

On October 26, 2004, the Program issued State Revolving Fund Revenue Bonds, Series 2004 in the amount of \$121,075,000. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants. The bonds represent a portion of the overall \$204,480,000 Revolving Fund Revenue Bonds, Series 2004 (Master Trust) issued by the Oklahoma Water Resources Board. The balance of the bonds and related debt issue costs, bond premium, etc. were allocated proportionately to the Drinking Water State Revolving Fund Loan Program for similar purposes related to its drinking water treatment facilities projects.

On April 13, 2011, the Program issued State Revolving Fund Revenue Bonds, Series 2011A in the amount of \$85,000,000. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

On October 23, 2012, the Program issued State Revolving Fund Revenue Bonds, Series 2011A in the amount of \$86,505,000. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

Future debt service payments required by the Program's outstanding bonds as of June 30, 2013 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-----------------------------|-----------------------------|-----------------------------|
| 2014 | \$11,735,000 | \$11,483,976 | \$23,218,976 |
| 2015 | 13,635,000 | 10,968,688 | 24,603,688 |
| 2016 | 14,085,000 | 10,328,238 | 24,413,238 |
| 2017 | 14,275,000 | 9,697,278 | 23,972,278 |
| 2018 | 13,795,000 | 8,983,528 | 22,778,528 |
| 2019-2023 | 70,380,000 | 34,783,192 | 105,163,192 |
| 2024-2028 | 60,850,000 | 18,001,500 | 78,851,500 |
| 2029-2033 | 46,710,000 | 5,343,714 | 52,053,714 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$245,465,000</u> | <u>\$109,590,114</u> | <u>\$355,055,114</u> |

In addition to their normal scheduled maturity dates as shown above, the bonds may also be redeemed at the option of the Board, in whole or in part, at such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

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6. Long-Term Debt (cont'd)

In order for the interest on the Program's Series 2004, 2011, and 2012 bonds to be tax-exempt, the Board must comply with certain provisions of the Internal Revenue Code, as amended. One provision requires that the arbitrage earnings (defined as the excess of the amount earned on all nonpurpose investments over the amount which would have been earned if the nonpurpose investments were invested at a rate equal to the bond yield) be rebated to the Internal Revenue Service. This rebate is payable at the end of each five years during the term of the issue. Management of the Program believes that any arbitrage liability, which exists at June 30, 2013, is immaterial.

Pursuant to the 2004 Master Trust Agreement, the Clean Water State Revolving Fund Loan Program bonds share in an aggregate debt service reserve with the Drinking Water State Revolving Fund Loan Program bonds. At June 30, 2013, the aggregate debt service reserves totaled \$63,364,876 of which \$37,563,796 is reflected in the accompanying statements of net position.

Long-term debt outstanding at June 30, 2013 and 2012 are as follows:

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------|-----------------------|
| Beginning balances: | | |
| 2004 Serial bonds due April 1, 2014 to April 1, 2026, interest at 3.50% to 5.25% | \$ 88,935,000 | \$ 94,795,000 |
| 2011 Serial bonds due April 1, 2014 to April 1, 2031, interest at 4.0% to 5.0% | 80,785,000 | 85,000,000 |
| Unamortized premium | 13,323,570 | 14,101,052 |
| | <u>\$ 183,043,570</u> | <u>\$ 193,896,052</u> |
| Add: 2012 Serial bonds due April 1, 2014 to April 1, 2033, interest at 2.00% to 5.00% | 86,505,000 | - |
| Add: 2012 Bond premium | 14,172,391 | - |
| Less: debt principal repayments | (10,760,000) | (10,075,000) |
| Less: current amortization of premium | (1,224,832) | (777,482) |
| Ending balances | <u>\$ 271,736,129</u> | <u>\$ 183,043,570</u> |
| Amounts due in one year | 11,735,000 | 10,760,000 |

7. Binding Commitments

During the year ended June 30, 2013, the OWRB voted to approve funding of various borrower loan applications through the Program. These binding commitments will be funded by the Program provided that a loan agreement and promissory note are executed within one year from the date of original approval unless an extension is granted by the OWRB. Loan applications approved by the OWRB for which a loan agreement and promissory note have not been executed totaled zero at June 30, 2013. All loans that had been approved were closed by June 30, 2013.

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8. Reclassifications

Certain prior year amounts have been reclassified for comparative purposes to conform to the current year presentation. Due to the implementation of new accounting standards, bond issuance costs are now expensed when incurred instead of being capitalized and amortized over the life the bond issue. Prior years have been restated to expense unamortized bond issuance costs.

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INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the
Oklahoma Water Resources Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma Water Resources Board/Oklahoma Clean Water State Revolving Fund Loan Account Program (the "Program") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated September 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arlidge & Associates, P.C.

Edmond, Oklahoma
September 23, 2013

**OKLAHOMA DEPARTMENT OF
ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER
STATE REVOLVING FUND
LOAN PROGRAM**

**FINANCIAL STATEMENTS
AS OF
JUNE 30, 2013 AND 2012
AND INDEPENDENT AUDITOR'S REPORT**

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2013 and 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Directors of the
Oklahoma Department of Environmental Quality
Oklahoma Drinking Water State Revolving Fund Loan Program

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Department of Environmental Quality/Oklahoma Drinking Water State Revolving Fund Loan Program (the "Program") as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The supplemental combining financial statement information, as listed in the table of contents under Supplemental Schedule Information, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Program.

This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental combining financial statement information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Alledge & Associates, P.C.

Edmond, Oklahoma
September 23, 2013



STEVEN A. THOMPSON
Executive Director

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY

MARY FALLIN
Governor

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Our discussion and analysis of the Oklahoma Drinking Water State Revolving Fund Program's (the "Program") financial performance provides an overview of the Program's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Program's financial statements, which begin on page 6. The Oklahoma Department of Environmental Quality ("ODEQ") administers the Program. ODEQ's primary activities include providing direct assistance and managing the coordination of the Program to meet the objectives of the Safe Drinking Water Act. Pursuant to an interagency agreement between ODEQ and the Oklahoma Water Resources Board (the "OWRB"), OWRB handles certain financial functions including originating, approving and servicing loans made to qualifying recipients.

FINANCIAL HIGHLIGHTS

- The Program's net position increased by over 4% from \$208,548,362 in FY 2012 to \$217,141,393 in FY 2013. The increase can be attributable to an increase in federal grant revenue retained to fund loans and a reduction in the amount of bad debt provision required in the current period compared to the prior period.
- The Program experienced an increase of \$38,946,117 in the amount of outstanding loans. At June 30, 2012 the Program had 124 outstanding loans with a principal balance of \$444,820,694. At June 30, 2013 the Program had 142 loans with a balance of \$483,766,811.

PROGRAM HIGHLIGHTS

- During FY 2013, 15 construction and 2 refinance loans, totaling approximately \$45.5 million were made to correct deficiencies and achieve compliance with the national primary drinking water regulations or otherwise further public health protection objectives of the Safe Drinking Water Act (SWDA).
- Completed construction during the year on 14 projects totaling \$45.6 million.
- Made binding commitments for 14 new loans, totaling approximately \$35.7 million, in drinking water construction for communities to correct problems and achieve compliance with the SWDA.



ECONOMIC FACTORS AND NEXT YEAR'S OUTLOOK

The Oklahoma DWSRF has been extremely popular with communities that borrow from the program. The Program's financing strategy of providing long-term loans at 70% of market rate has been consistent for many years. No additional staff is planned at this time. The Program is expected to increase assets as well as operating income as more loans are approved and eligible draws are made from the federal capitalization grants and the bond issue.

CONTACTING THE PROGRAM'S FINANCIAL MANAGEMENT

This financial report is designed to provide the DEQ's accountability of the Program. If you have questions about this report or need additional financial information, contact the Administrative Services Division of the Oklahoma Department of Environmental Quality at 707 North Robinson, Oklahoma City, OK 73101.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**STATEMENTS OF NET POSITION
June 30, 2013 and 2012**

| <u>ASSETS</u> | <u>2013</u> | <u>(Restated) 2012</u> |
|--|-----------------------|----------------------------|
| Current Assets: | | |
| Cash | \$ 14,671,183 | 4,736,640 |
| Federal letter of credit payments receivable | 755,027 | 598,231 |
| Accrued interest on loans receivable | 4,095,299 | 3,782,711 |
| Other interest receivable | 324,603 | 249,713 |
| Due from Drinking Water Admin Fund | 469 | 469 |
| Loans receivable | <u>70,059,312</u> | <u>17,967,676</u> |
| Total current assets | <u>89,905,893</u> | <u>27,335,440</u> |
| Noncurrent Assets: | | |
| Restricted cash | 20,654,084 | 69,985,894 |
| Restricted investments | 56,788,321 | 62,585,018 |
| Loans receivable, net of current portion and allowance for uncollectible loans of \$4,273,353 in 2013 and \$4,705,372 in 2012 | 413,707,499 | 426,853,018 |
| Equipment, net | <u>6,000</u> | <u>19,500</u> |
| Total noncurrent assets | <u>491,155,904</u> | <u>559,443,430</u> |
| Total assets | <u>581,061,797</u> | <u>586,778,870</u> |
| | | |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Accounts payable | 214,553 | 416,909 |
| Due to Oklahoma Department of Environmental Quality ("ODEQ") | 556,938 | 278,147 |
| Compensated absences | 17,689 | 30,609 |
| Interest payable | 3,941,899 | 3,728,898 |
| Current maturities of long-term debt | <u>91,035,000</u> | <u>13,300,000</u> |
| Total current liabilities | <u>95,766,079</u> | <u>17,754,563</u> |
| Noncurrent Liabilities: | | |
| Compensated absences | 75,414 | 130,493 |
| Long-term debt, net of current maturities | 249,635,000 | 340,670,000 |
| Unamortized (discount)/ premium | <u>18,443,911</u> | <u>19,675,452</u> |
| Total noncurrent liabilities | <u>268,154,325</u> | <u>360,475,945</u> |
| Total liabilities | <u>363,920,404</u> | <u>378,230,508</u> |
| | | |
| <u>NET POSITION</u> | | |
| Invested in capital assets, net of related debt | 6,000 | 19,500 |
| Restricted for loans and debt service | 217,228,496 | 208,689,964 |
| Unrestricted net liability | <u>(93,103)</u> | <u>(161,102)</u> |
| Total net position | <u>\$ 217,141,393</u> | <u>208,548,362</u> |

See accompanying notes and independent auditor's report.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012**

| | <u>2013</u> | <u>(Restated) 2012</u> |
|--|-----------------------|----------------------------|
| REVENUES | | |
| Operating revenues: | | |
| Federal grants | \$ 3,225,304 | 4,242,363 |
| Loan program income (net of bad debt recovery of \$432,019 in 2013 and bad debt expense of \$4,212,755 in 2012) | <u>14,316,776</u> | <u>8,852,618</u> |
| Total operating revenue | <u>17,542,080</u> | <u>13,094,981</u> |
| EXPENSES | | |
| Operating expenses: | | |
| Salaries and benefits | 1,969,082 | 2,187,298 |
| Professional services | 673,429 | 399,671 |
| Travel | 39,268 | 52,779 |
| Office | 967 | 28,246 |
| Depreciation | 13,500 | 33,952 |
| Indirect costs | 438,016 | 502,484 |
| Other expense | 36,606 | 1,081,130 |
| Interest expense | 15,052,435 | 13,689,181 |
| Debt issuance costs | - | 441,664 |
| Trustee fees | <u>45,569</u> | <u>40,966</u> |
| Total operating expenses | <u>18,268,872</u> | <u>18,457,371</u> |
| Operating income (loss) | <u>(726,792)</u> | <u>(5,362,390)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Federal grants | 11,242,658 | 6,224,829 |
| Federal grants-principal forgiveness | (5,252,063) | (1,644,500) |
| Investment income | 3,150,153 | 3,123,027 |
| Interest income-invested cash balances | <u>150,996</u> | <u>67,894</u> |
| Total nonoperating revenues | <u>9,291,744</u> | <u>7,771,250</u> |
| Income (loss) before transfers | 8,564,952 | 2,408,860 |
| Transfers in - Clean Water State Revolving Fund Loan Account Program | - | 3,000,000 |
| Transfers in - Drinking Water Treatment Loan Administrative Fund | <u>28,079</u> | <u>4,236,700</u> |
| Increase in net position | 8,593,031 | 9,645,560 |
| NET POSITION | | |
| Net position, beginning of year | <u>208,548,362</u> | <u>198,902,802</u> |
| Net position, end of year | <u>\$ 217,141,393</u> | <u>208,548,362</u> |

See accompanying notes and independent auditor's report.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>(Restated) 2012</u> |
|---|-----------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Federal grant receipts | \$ 3,068,508 | 4,271,953 |
| Collection of interest on loans to local governmental units | 13,572,169 | 12,696,886 |
| Payments to employees | (2,047,986) | (2,215,500) |
| Payments to suppliers | (1,146,515) | (2,133,380) |
| Interest paid on debt | <u>(16,070,975)</u> | <u>(14,669,876)</u> |
| Net cash provided (used) by operating activities | <u>(2,624,799)</u> | <u>(2,049,917)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from sale of bonds, net | - | 56,572,422 |
| Payments for debt issuance costs | - | (359,064) |
| Principal paid on bonds | (13,300,000) | (11,265,000) |
| Federal grant receipts | 5,990,595 | 4,580,329 |
| Transfers in - Drinking Water Treatment Loan Administrative Fund | 28,079 | 4,236,700 |
| Transfers in - Clean Water State Revolving Loan Program | - | 3,000,000 |
| Net cash provided (used) by noncapital financing activities | <u>(7,281,326)</u> | <u>56,765,387</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Loans to local governmental units | (61,785,475) | (63,851,237) |
| Collection of principal on loans to local governmental units | 18,019,314 | 20,808,656 |
| Collection of principal on loans to local governmental units from federal grant proceed | 5,252,063 | 1,644,500 |
| Interest on investments | 3,089,843 | 3,129,663 |
| Interest on invested cash balances | 136,416 | 64,328 |
| Sales of investments | <u>5,796,697</u> | <u>983,267</u> |
| Net cash provided (used) by investing activities | <u>(29,491,142)</u> | <u>(37,220,823)</u> |
| Net increase (decrease) in cash | (39,397,267) | 17,494,647 |
| Cash and cash equivalents, beginning of year | <u>74,722,534</u> | <u>57,227,887</u> |
| Cash and cash equivalents, end of year | <u>\$ 35,325,267</u> | <u>74,722,534</u> |
| RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ (726,792) | (5,362,390) |
| Adjustment to reconcile net operating income to net cash provided by operating activities: | | |
| Depreciation | 13,500 | 33,952 |
| Bond issuance expense | - | 441,664 |
| Amortization of bond/note premium | (1,231,541) | (1,120,374) |
| Provision (recovery) for uncollectible loans | (432,019) | 4,212,755 |
| Changes in operating assets and liabilities: | | |
| Decrease (Increase) in letter of credit payments receivable | (156,796) | 29,590 |
| Decrease (Increase) in interest receivable | (312,588) | (368,487) |
| Decrease (Increase) in other receivable | - | (469) |
| Increase (Decrease) in accounts payable | (121,995) | 207,070 |
| Increase (Decrease) in due to/from ODEQ | 278,791 | (236,660) |
| Increase (Decrease) in compensated absences | (67,999) | (28,202) |
| Increase (Decrease) in other accrued liabilities | (80,361) | 1,955 |
| Increase (Decrease) in interest payable | <u>213,001</u> | <u>139,679</u> |
| Net cash provided (used) by operating activities | <u>\$ (2,624,799)</u> | <u>(2,049,917)</u> |

See accompanying notes and independent auditor's report.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Oklahoma Department of Environmental Quality/Oklahoma Drinking Water State Revolving Fund Loan Program (the "Program") was created pursuant to the Federal Safe Drinking Water Act Amendments of 1995 (the "Act"), Section 1452, to provide a perpetual fund for financing the construction of drinking water treatment facilities for municipalities and other entities. The program utilizes Federal Capitalization grants, required State matching funds equal to 20% of federal funds received, and interest income for drinking water loan assistance. Standard loans made by the Program must be repaid within 20 years from construction completion. All repayments, including interest and principal, must remain in the fund.

The Program consists of two program components: 1) set-aside funds and 2) loan fund. The set-aside funds are administered by the Oklahoma Department of Environmental Quality ("ODEQ"). ODEQ's primary activities include providing direct assistance and managing the coordination of the Program to meet its primary objective pursuant to the Act. The loan fund is administered by the Oklahoma Water Resources Board ("OWRB") pursuant to an interagency agreement between ODEQ and OWRB. The OWRB handles certain financial functions, including the originating, approving and servicing loans made to qualifying recipients.

Basis of Accounting and Measurement Focus

The Program prepares its financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board ("GASB"). The Program is accounted for and presented similar to a special-purpose government engaged solely in business type activities.

The financial statements of the Program are prepared under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred. The Program uses the economic resources measurement focus where all assets, liabilities, net position, revenues, expenses and transfers relating to the Program and net income and capital maintenance are measured.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Federal Letter of Credit Payments Receivable

Funding from Federal grants is provided through a Federal letter of credit ("LOC"). The Program records revenue as qualifying expenditures are made or as expenses are incurred, as appropriate. Availability of funds under the LOC is specified by the terms of the grant. The Program draws on the available funds as necessary to fund operations and selected loans.

Federal Grants

Federal grants are recognized as operating revenue upon payment of allowable grant expenditures eligible for reimbursement from the EPA and not covered by state matching or program income.

Cash and Cash Equivalents

The Program considers all highly liquid debt instruments purchased with an original maturity of three months or less and money market funds to be cash equivalents.

Restricted Cash

Restricted cash represents the portion of the Program's cash balance at year-end that has been obligated for known future expenditures, such as loans, which have been approved and are complete as to all application requirements. The restricted portion fluctuates as obligated funds are used or as funds are de-obligated.

Restricted Investments

Restricted investments represent a portion of the Series 2003 Revenue Bonds and the Series 2004 Revenue Bonds temporarily invested pending their use in funding future loans plus additional funds set-aside into a Debt Service Reserve fund. The Debt Service Reserve fund portion of restricted investments totals \$55,782,840 at June 30, 2013. (See Note 5).

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Equipment

Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to nine years. The Program's policy is to capitalize individual asset purchases in excess of \$5,000.

Debt Issuance Costs

Debt issuance costs are expensed as incurred.

Bond Issue Premium

The Program's State Revolving Fund Revenue Bonds, Series 2012A, Series 2011, Series 2010, Series 2004 and Series 2003 were initially sold at a premium of \$26,345,930. The bond premium is being amortized over the remaining life of the bonds. Net amortization expense of \$1,231,541 and \$1,120,374 was recorded in 2013 and 2012, respectively, and is included in interest expense in the accompanying statements of revenues, expenses, and changes in net assets.

Loan Administration Fees

Loan administrative fees are assessed to each participating borrower by the OWRB at the rate of one-half of one percent per annum of the amount of each borrower's loan balance outstanding. Fees paid by the participating borrowers are remitted directly to OWRB and, therefore, are not included in the accompanying Loan Program financial statements. These fees are deposited into the Drinking Water Loan Administration Fund, an account held outside the Program. The activity within this fund for the years ended June 30, 2013 and 2012 was as follows:

| | | | | | |
|------------------------|----|------------------|------------------------|----|--------------------|
| Balance, July 1, 2012 | \$ | <u>2,751,427</u> | Balance, July 1, 2011 | \$ | 5,052,487 |
| Fee income | | 2,331,356 | Fee income | | 2,172,047 |
| Interest income | | 55,339 | Interest income | | 108,622 |
| Operating expenses | | (425,131) | Operating expenses | | (345,029) |
| Transfers | | <u>(28,079)</u> | Transfers | | <u>(4,236,700)</u> |
| Balance, June 30, 2013 | \$ | <u>4,684,912</u> | Balance, June 30, 2012 | \$ | <u>2,751,427</u> |

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Unrestricted Net Liability

The unrestricted net liability at June 30, 2013 and 2012, is attributed to the accrual for compensated absences for financial reporting purposes in advance of reimbursement of such costs under the Program's federal funding arrangements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH DEPOSITS AND INVESTMENT RISK

Cash of \$14,671,183 and \$4,736,640 at June 30, 2013 and 2012 respectively, was on deposit in the State Treasurer's office's internal investment pool – *OK Invest*. Restricted cash of \$20,654,084 and \$69,985,894 at June 30, 2013 and 2012 respectively, was on deposit with the Program's trustee. The deposits are invested in the *Federated Treasury Obligations* mutual fund.

Investment Interest Rate Risk – the Program does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates as it relates to funds not directly associated with bond issue proceeds.

Investment Credit Risk-Non Debt Proceeds – for non-debt proceeds, the Program has no investment policy that limits its investment choices other than the limitation of state law imposed on the State Treasurer as follows:

- a. U.S. Treasury Bills, Notes and Bonds and U.S. Government Agency Securities with certain ratings and maturity limitations.
- b. Collateralized or insured certificates of deposit and other evidences of deposit issued by a bank, savings bank, savings and loan association or credit union located in the state.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

2. CASH DEPOSITS AND INVESTMENT RISK (Cont'd)

- c. With certain ratings and maturity limitations, negotiable certificates of deposit, bankers acceptances and commercial paper.
- d. Obligations of state and local governments, including obligations of Oklahoma state public trusts, with certain ratings and maturity limitations.
- e. Collateralized repurchase agreements tri-party repurchase agreements.
- f. Money market mutual funds and short term bond funds regulated by the Securities and Exchange Commission (SEC) and in which investments consist of obligations of the U.S. Government and its agencies and instrumentalities and repurchase agreements collateralized by obligations of the U.S. Government and its agencies and instrumentalities.

The State Treasurer has determined that current holdings in *OK Invest* should be limited to obligations of the United States government, its agencies and instrumentalities, tri-party repurchase agreements collateralized at 102% with the collateral held by a third party in the name of the Oklahoma State Treasurer and money market mutual funds which either directly or indirectly invest in U.S. Treasury and/or Agency securities and repurchase agreements related to such securities. *OK Invest* is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Investment Credit Risk - Debt Proceeds – for debt proceeds, the bond indenture provides for restrictions on the investment choices of the Program as follows:

- a. Obligations of the United States Government, its agencies and instrumentalities.
- b. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations or credit unions located in the State of Oklahoma.
- c. Money market funds regulated by the Securities and Exchange Commission and which investments consist of those items specified in (a) and (b) above.
- d. Investment agreements with entities maintaining a rating in the top two categories by a nationally recognized municipal bond rating agency.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

2. CASH DEPOSITS AND INVESTMENT RISK (Cont'd)

At June 30, 2013, the Program's investments in obligations not directly guaranteed by the U.S. Government and investments in money market mutual funds were rated as follows:

| Description | Financial Institution | Amount | Average Maturity/ Due Date | Rating |
|--|-----------------------|---------------|-------------------------------|------------|
| OK Invest | State Treasurer | \$ 14,671,183 | Less than 2 years | Not rated. |
| Federated Treasury Obligations Fund | BancFirst | \$ 20,654,084 | 28 days | AAAm |
| Transamerica Life Insurance and Annuity Co. - GIC | AEGON | | | See Note 5 |
| Reserve Fund | | \$ 29,981,760 | 4/1/2025 | " |
| Revenue Fund | | \$ 562,787 | 4/1/2025 | " |
| Transamerica Occidental Life Insurance Company - GIC | AEGON | | | See Note 5 |
| Reserve Fund | | \$ 25,801,080 | 4/1/2027 | " |
| Revenue Fund | | \$ 442,694 | 4/1/2027 | " |

Concentration of Investment Credit Risk – neither the Program nor the bond indenture place any limit on the amount the Program may invest in any one issuer. The Program has the following concentration of credit risk: 62% or \$56,788,321 is invested in guaranteed investment agreements with Transamerica Occidental Life Insurance Co./Transamerica Life Insurance and Annuity Co.

A "pooled cash" concept is used by ODEQ in maintaining cash and equivalents for the Program's Set Aside accounts. Under this method, cash and equivalents are pooled and each ODEQ program has equity in the pooled amount. There were no pooled cash overdrafts included in Due to ODEQ in the current year.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

3. FEDERAL LETTERS OF CREDIT

Federal letters of credit ("LOC") balances at June 30, 2013 and 2012 are as follows:

| | | Year Ended June 30, 2013 | | | | | |
|---|----|--|------------------------------------|------------------|---------------------|--------------------|--------------------|
| | | Administrative & ARRA Administrative | Program Management & Reserve | Small Systems | Local Assistance | Loan | Totals |
| LOC available for draw | \$ | 8,168,825 | 16,153,933 | 3,349,928 | 17,027,983 | 190,649,331 | 235,350,000 |
| Cumulative cash draws | | <u>7,846,746</u> | <u>14,942,546</u> | <u>3,208,387</u> | <u>15,248,395</u> | <u>187,995,850</u> | <u>229,241,924</u> |
| LOC balance available for draw at June 30, 2013 | \$ | <u>322,079</u> | <u>1,211,387</u> | <u>141,541</u> | <u>1,779,588</u> | <u>2,653,481</u> | <u>6,108,076</u> |
| | | Year Ended June 30, 2012 | | | | | |
| | | Administrative & ARRA Administrative | Program Management & Reserve | Small Systems | Local Assistance | Loan | Totals |
| LOC available for draw | \$ | 7,722,785 | 15,038,833 | 3,126,908 | 15,355,333 | 182,955,141 | 224,199,000 |
| Cumulative cash draws | | <u>7,583,887</u> | <u>13,993,288</u> | <u>3,085,350</u> | <u>13,515,041</u> | <u>176,753,192</u> | <u>214,930,758</u> |
| LOC balance available for draw at June 30, 2012 | \$ | <u>138,898</u> | <u>1,045,545</u> | <u>41,558</u> | <u>1,840,292</u> | <u>6,201,949</u> | <u>9,268,242</u> |

Due to the fact that the grants cover a period of more than 8 quarters, not all of the balances presented above are available for immediate drawdown.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

4. LOANS RECEIVABLE

The Program originates loans with Oklahoma municipalities and other entities for financing the construction of drinking water treatment facilities which are payable in semiannual installments at subsidized rates. Funded projects of the Program must meet established eligibility requirements. Effective interest rates on the outstanding loans vary from 0% to 3.69% at June 30, 2013 and 2012.

Up to 30% of the federal grant can be used for principal forgiveness for communities meeting "disadvantaged" criteria. As of June 30, 2013 and 2012, no disadvantaged community loans were made. Loans are collateralized by various revenue sources including, but not limited to, user charges and sales taxes collected by the borrowers. Principal payments must start within one year of construction completion or at an earlier date set in the loan agreement. During the years ended June 30, 2013 and 2012, principal payments of \$23,271,377 and \$22,453,156, respectively, had been received.

The allowance for loan losses at June 30, 2013 of \$4,273,353 is based upon management's evaluation of the collectability of the loans. The evaluation takes into consideration such factors as size of the individual loans, overall quality, current economic conditions and trends that may affect the borrowers' ability to pay.

Loans receivable activity from July 1, 2011 to June 30, 2013, is as follows:

| | |
|---|------------------------------|
| Balance, June 30, 2011 | 407,635,368 |
| Loan disbursements | 63,851,237 |
| Loan principal repayments | (22,453,156) |
| Change in provision for uncollectible loans | <u>(4,212,755)</u> |
| Balance, June 30, 2012 | 444,820,694 |
| Loan disbursements | 61,785,475 |
| Loan principal repayments | <u>(23,271,377)</u> |
| | 483,334,792 |
| Change in provision for uncollectible loans | <u>432,019</u> |
| Balance, June 30, 2013 | <u><u>\$ 483,766,811</u></u> |

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

5. RESTRICTED INVESTMENTS

A description of the restricted investments held at June 30, 2013 and 2012, is as follows:

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Guaranteed investment with Transamerica Life Insurance and Annuity Co. pursuant to an investment agreement, 4.80%, maturing April 1, 2025 (restricted for reserve fund). \$ | 29,981,760 | 32,068,529 |
| Guaranteed investment with Transamerica Life Insurance and Annuity Co. pursuant to an investment agreement, 4.80%, maturing April 1, 2025 (restricted for revenue fund). | 562,787 | 2,784,816 |
| Guaranteed investment with Transamerica Occidental Life Insurance Co. pursuant to an investment agreement, 4.61%, maturing April 1, 2027 (restricted for reserve fund). | 25,801,080 | 27,272,516 |
| Guaranteed investment with Transamerica Occidental Life Insurance Co. pursuant to an investment agreement, 4.40%, maturing April 1, 2027 (restricted for revenue fund). | <u>442,694</u> | <u>459,157</u> |
| Total restricted investments \$ | <u>56,788,321</u> | <u>62,585,018</u> |

The agreements with Transamerica Occidental Life Insurance Co./Transamerica Life Insurance and Annuity Co. ("Transamerica"), are uninsured and non-collateralized so long as Transamerica maintains certain specified credit ratings. If these credit ratings are not maintained, Transamerica is required to collateralize the investment agreement sufficient to maintain an S & P or Moody's rating of "AA-" or "Aa3", respectively, on the contract. The S & P credit rating for Transamerica at June 30, 2013 was AA-. The investment is carried at cost, which approximates fair value.

6. BINDING COMMITMENTS

The OWRB, pursuant to an interagency agreement entered into between ODEQ and OWRB, approves funding of various loan applications through the Program. These binding commitments will be funded by the Program provided that a loan agreement and promissory note are executed within one year from the date of original approval unless an extension is granted by the OWRB. Binding commitments approved by the OWRB for which a loan agreement and promissory note have not been executed totaled \$0 and \$7,775,000 at June 30, 2013 and 2012, respectively.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

7. EQUIPMENT

A summary of changes to equipment is as follows:

| | | <u>Year ended 2013</u> | | |
|--------------------------|----|--------------------------------|------------------|--------------------------------|
| | | <u>June 30,</u> <u>2012</u> | <u>Additions</u> | <u>June 30,</u> <u>2013</u> |
| Equipment | \$ | 763,271 | - | 763,271 |
| Accumulated depreciation | | <u>(743,771)</u> | <u>(13,500)</u> | <u>(757,271)</u> |
| Net | \$ | <u>19,500</u> | <u>(13,500)</u> | <u>6,000</u> |

| | | <u>Year ended 2012</u> | | |
|--------------------------|----|--------------------------------|------------------|--------------------------------|
| | | <u>June 30,</u> <u>2011</u> | <u>Additions</u> | <u>June 30,</u> <u>2012</u> |
| Equipment | \$ | 763,271 | - | 763,271 |
| Accumulated depreciation | | <u>(709,819)</u> | <u>(33,952)</u> | <u>(743,771)</u> |
| Net | \$ | <u>53,452</u> | <u>(33,952)</u> | <u>19,500</u> |

8. LONG-TERM DEBT

Bonds Payable

On June 12, 2012, the Program issued State Revolving Fund Revenue Bonds, Series 2012A in the amount of \$49,395,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

On April 13, 2011, the Program issued State Revolving Fund Revenue Bonds, Series 2011 in the amount of \$57,910,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

On January 13, 2010, the Program issued State Revolving Fund Revenue Bonds, Series 2010 in the amount of \$94,460,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants.

On October 26, 2004, the Program issued State Revolving Fund Revenue Bonds, Series 2004 in the amount of \$83,405,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. These bonds were issued to provide low interest cost financing for Oklahoma Local governmental entities for acquiring, constructing, or improving their wastewater treatment systems and to enable the Program to meet the State matching requirements in order to obtain Federal grants. The bonds represent a portion of the overall \$204,480,000 Revolving Fund Revenue Bonds, Series 2004 (Master Trust) issued by the Oklahoma Water Resources Board. The balance of the bonds and related debt issue costs, bond premium, etc. were allocated proportionately to the Clean Water State Revolving Fund Loan Account Program for similar purposes related to its wastewater treatment facilities projects.

On October 29, 2003, the Program issued Drinking Water State Revolving Fund Revenue Bonds, Series 2003, in the amount of \$122,910,000. The bonds are secured by the loans made to the local entities by the OWRB, investment income in the Drinking Water State Revolving Fund Account and monies held in the Debt Service Reserve Fund. The proceeds from the Series 2003 Bonds are to be used to provide program loans, pay cost of issuance, finance a portion of the state matching funds requirement, and pay interest on the bonds during the period when financed projects are under construction.

Subsequent to year end, all of the outstanding Series 2003 bonds were called for redemption at par on October 1, 2013.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

Future debt service payments required by the Program's serial bonds as of June 30, 2013 are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-----------------------|--------------------|--------------------|
| 2014 | \$ 91,035,000 | 13,919,081 | 104,954,081 |
| 2015 | 10,055,000 | 11,505,679 | 21,560,679 |
| 2016 | 10,445,000 | 11,144,168 | 21,589,168 |
| 2017 | 10,975,000 | 10,682,026 | 21,657,026 |
| 2018 | 11,700,000 | 10,288,489 | 21,988,489 |
| 2019-2023 | 60,955,000 | 43,606,111 | 104,561,111 |
| 2024-2028 | 73,805,000 | 27,786,119 | 101,591,119 |
| 2029-2033 | 43,240,000 | 11,999,056 | 55,239,056 |
| 2034-2038 | 17,710,000 | 4,757,725 | 22,467,725 |
| 2039-2042 | 10,750,000 | 1,091,338 | 11,841,338 |
| | <u>\$ 340,670,000</u> | <u>146,779,792</u> | <u>487,449,792</u> |

In addition to their normal scheduled maturity dates as shown above, the bonds may also be redeemed at the option of the Board, in whole or part, as such dates and for such prices, plus accrued interest as are set forth in the bond indenture.

In order for the interest on the Program's Series 2012A, 2011, 2010, Series 2004 and Series 2003 Bonds to be tax-exempt, the Board must comply with certain provisions of the Internal Revenue Code, as amended. One provision requires that the arbitrage earnings (defined as the excess of the amount earned on all nonpurpose investments over the amount which would have been earned if the nonpurpose investments were invested at a rate equal to the note/bond yield) be rebated to the Internal Revenue Service. This rebate is payable at the end of each five years during the term of the issues. Management has estimated the arbitrage rebate liability at June 30, 2013 to be immaterial for the Series 2003, Series 2004, Series 2010, Series 2011 and Series 2012A bonds.

The Drinking Water State Revolving Fund Loan Program bonds share in an aggregate debt service reserve with the Clean Water State Revolving Fund Loan Program. At June 30, 2013, the aggregate debt service reserves totaled \$63,364,876, of which \$25,801,080 is reflected in the accompanying statements of net assets.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

8. LONG-TERM DEBT (Cont'd)

Bonds Payable (Cont'd)

Long-term debt outstanding at June 30, 2013 and 2012 are as follows:

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------|--------------------|
| BONDS PAYABLE: | | |
| Serial 2012A bonds due April 1, 2014 to April 1, 2042, interest at 3.00% to 5.00% | \$ 49,240,000 | 49,395,000 |
| Serial 2011 bonds due April 1, 2014 to April 1, 2042, interest at 2.00% to 5.25% | 56,680,000 | 57,910,000 |
| Serial 2010 bonds due April 1, 2014 to April 1, 2032, interest at 2.25% to 5.00% | 89,555,000 | 92,160,000 |
| Serial 2004 bonds due April 1, 2014 to April 1, 2027, interest at 3.50% to 5.25% | 63,300,000 | 66,910,000 |
| Serial 2003 Bonds due April 1, 2014 to April 1, 2025, interest at 3.90% to 5.25% (See above. Called for redemption on October 1, 2013) | 81,895,000 | 87,595,000 |
| Total Bonds Payable | <u>340,670,000</u> | <u>353,970,000</u> |
| Current maturities | (91,035,000) | (13,300,000) |
| Unamortized (discount)/ premium | <u>18,443,911</u> | <u>19,675,452</u> |
| Long-term debt, net of unamortized (discount)/ premium | <u>\$ 268,078,911</u> | <u>360,345,452</u> |

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

9. PENSION PLAN

As provided by State law, the Program participates in the Oklahoma Public Employees Retirement System (the "System"), a component unit of the State of Oklahoma. This system covers substantially all State and county employees and extends to local entities if they elect to participate. The System is a multiemployer, cost-sharing plan.

The Retirement Plan, administered by the System, is a defined benefit, contributory plan that provides participants with retirement, death and disability benefits. Pension benefit provisions were established by statute, and benefit provisions are amended by the State Legislature. Cost-of-living adjustments are provided to plan members and beneficiaries at the discretion of the State Legislature.

A separately issued independent audit report for the plan may be obtained by writing:

Oklahoma Public Employees Retirement Plan
5801 N. Broadway Extension, Suite 400
Oklahoma City, Oklahoma 73118

The contribution rates for the plan are established by the State Legislature and are not based on an actuarial calculation which is performed to determine the adequacy of the rate.

The Program makes contributions to the plan on behalf of its employees based on their gross salaries earned (excluding overtime) for the fiscal year ended June 30. The contribution rates in effect for the years ended June 30, 2013 and 2012 and subsequent periods are summarized as follows:

| | <u>FY-2013</u> | <u>FY-2012</u> |
|-------------------|----------------|----------------|
| Program | 16.5% | 16.5% |
| Program Employees | 3.5% | 3.5% |

Contributions to the plan by the Program for the three years ended June 30, 2013, 2012 and 2011 were \$230,126, \$255,563, and \$308,917, respectively. These contributions represent 100% of the contribution required.

10. COMMITMENTS AND CONTINGENCIES

The Program is exposed to various risks of loss related to torts, thefts of assets, efforts and omissions, injuries to employees while performing Program business, or acts of God. The Program maintains insurance through the State of Oklahoma Risk Management Division, which is included in the indirect costs charged to the Program. There have not been any claims against the Program since its inception in 1998.

**OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM**

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

11. ADOPTION OF NEW ACCOUNTING STANDARDS / RECLASSIFICATIONS

During the current period, the Program implemented the provisions of Governmental Accounting Standards Board (GASB) Statement Number 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and Statement Number 65 – *Items Previously Reported as Assets and Liabilities*.

The adoption of Statement 63 had the effect of changing the previous “statement of net assets” to a “statement of net position”.

The adoption of Statement 65 requires that bond issuance costs be expensed when incurred rather than capitalized and amortized over the life of the related debt. As a result, the fiscal year 2012 financial statements have been restated to reflect the effects of the adoption of Statement 63 and conform to the current year presentation.

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

SUPPLEMENTAL COMBINING STATEMENT OF NET POSITION INFORMATION - BY PROGRAM COMPONENT
June 30, 2013

| | Set-Aside Funds | | | | | | Totals | |
|---|-----------------|--------------------|---------------|---|------------|----------------------|-------------|-------------|
| | Administrative | Program Management | Small Systems | Local Assistance and Other State Programs | ARRA Admin | Program Mgmt Reserve | | |
| ASSETS | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash | \$ - | - | - | - | - | - | 14,671,183 | 14,671,183 |
| Federal letter of credit payments receivable | 168,305 | 312,579 | 56,662 | 217,481 | - | - | - | 755,027 |
| Accrued interest on loans receivable | - | - | - | - | - | - | 4,095,299 | 4,095,299 |
| Other interest receivable | - | - | - | - | - | - | 324,603 | 324,603 |
| Due from Drinking Water Admin Fund | - | - | - | - | - | - | 469 | 469 |
| Loans receivable | - | - | - | - | - | - | 70,059,312 | 70,059,312 |
| Total current assets | 168,305 | 312,579 | 56,662 | 217,481 | - | - | 89,150,866 | 89,905,893 |
| Noncurrent Assets: | | | | | | | | |
| Restricted Cash | - | - | - | - | - | - | 20,654,084 | 20,654,084 |
| Restricted investments | - | - | - | - | - | - | 56,788,321 | 56,788,321 |
| Loans receivable, net of current portion and allowance for uncollectible loans of \$4,273,353 | - | - | - | - | - | - | 413,707,499 | 413,707,499 |
| Equipment, net | - | - | - | 6,000 | - | - | - | 6,000 |
| Total noncurrent assets | - | - | - | 6,000 | - | - | 491,149,904 | 491,155,904 |
| Total assets | 168,305 | 312,579 | 56,662 | 223,481 | - | - | 580,300,770 | 581,061,797 |
| LIABILITIES | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Accounts payable | 180,000 | - | - | 18,089 | - | - | 16,464 | 214,553 |
| Due to (from) Oklahoma Department of Environmental Quality ("ODEQ") | (11,695) | 312,579 | 56,662 | 199,392 | - | - | - | 556,938 |
| Compensated absences | 1,536 | 8,212 | 920 | 7,021 | - | - | - | 17,689 |
| Interest Payable | - | - | - | - | - | - | 3,941,899 | 3,941,899 |
| Current maturities of long-term debt | - | - | - | - | - | - | 91,035,000 | 91,035,000 |
| Total current liabilities | 169,841 | 320,791 | 57,582 | 224,502 | - | - | 94,993,363 | 95,766,079 |
| Noncurrent Liabilities: | | | | | | | | |
| Compensated absences | 6,551 | 35,010 | 3,923 | 29,930 | - | - | - | 75,414 |
| Long-term debt, net of current maturities | - | - | - | - | - | - | 249,635,000 | 249,635,000 |
| Unamortized (discount)/premium | - | - | - | - | - | - | 18,443,911 | 18,443,911 |
| Total noncurrent liabilities | 6,551 | 35,010 | 3,923 | 29,930 | - | - | 268,078,911 | 268,154,325 |
| Total liabilities | 176,392 | 355,801 | 61,505 | 254,432 | - | - | 363,072,274 | 363,920,404 |
| NET POSITION | | | | | | | | |
| Invested in capital assets, net of related debt | - | - | - | 6,000 | - | - | - | 6,000 |
| Restricted for loans and debt service | - | - | - | - | - | - | 217,228,496 | 217,228,496 |
| Unrestricted net liability | (8,087) | (43,222) | (4,843) | (36,951) | - | - | - | (93,103) |
| Total net position | \$ (8,087) | (43,222) | (4,843) | (30,951) | - | - | 217,228,496 | 217,141,393 |

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

SUPPLEMENTAL COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION INFORMATION - BY PROGRAM COMPONENT
For the Year Ended June 30, 2013

| | Set-Aside Funds | | | | | | Totals | |
|---|-------------------|--------------------|----------------|---|----------------|----------------------|--------------------|--------------------|
| | Administrative | Program Management | Small Systems | Local Assistance and Other State Programs | ARRA Admin | Program Mgmt Reserve | | Loan Fund |
| REVENUES | | | | | | | | |
| Operating revenues: | | | | | | | | |
| Federal grants | \$ 391,013 | 962,758 | 103,453 | 1,778,985 | (5,017) | (5,888) | - | 3,225,304 |
| Loan program income (net of recovery of \$432,019) | - | - | - | - | - | - | 14,316,776 | 14,316,776 |
| Total operating revenue | <u>391,013</u> | <u>962,758</u> | <u>103,453</u> | <u>1,778,985</u> | <u>(5,017)</u> | <u>(5,888)</u> | <u>14,316,776</u> | <u>17,542,080</u> |
| EXPENSES | | | | | | | | |
| Operating expenses: | | | | | | | | |
| Salaries and benefits | 120,773 | 751,614 | 83,590 | 1,024,010 | (5,017) | (5,888) | - | 1,969,082 |
| Professional services | 214,000 | - | - | 459,429 | - | - | - | 673,429 |
| Travel | 6,433 | 12,187 | 86 | 20,562 | - | - | - | 39,268 |
| Office | 101 | 54 | - | 812 | - | - | - | 967 |
| Depreciation | - | - | - | 13,500 | - | - | - | 13,500 |
| Indirect costs | 33,341 | 165,105 | 18,046 | 221,524 | - | - | - | 438,016 |
| Other expense | 2,056 | 19,434 | - | 15,053 | - | - | 63 | 36,606 |
| Interest expense | - | - | - | - | - | - | 15,052,435 | 15,052,435 |
| Trustee fees | - | - | - | - | - | - | 45,569 | 45,569 |
| Total operating expenses | <u>376,704</u> | <u>948,394</u> | <u>101,722</u> | <u>1,754,890</u> | <u>(5,017)</u> | <u>(5,888)</u> | <u>15,098,067</u> | <u>18,268,872</u> |
| Operating income (loss) | <u>14,309</u> | <u>14,364</u> | <u>1,731</u> | <u>24,095</u> | <u>-</u> | <u>-</u> | <u>(781,291)</u> | <u>(726,792)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | |
| Federal grants | - | - | - | - | - | - | 11,242,658 | 11,242,658 |
| Federal grants-Principal Forgiveness | - | - | - | - | - | - | (5,252,063) | (5,252,063) |
| Investment income | - | - | - | - | - | - | 3,150,153 | 3,150,153 |
| Interest income-invested cash balances | - | - | - | - | - | - | 150,996 | 150,996 |
| Net nonoperating revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,291,744</u> | <u>9,291,744</u> |
| Income (loss) before transfers | <u>14,309</u> | <u>14,364</u> | <u>1,731</u> | <u>24,095</u> | <u>-</u> | <u>-</u> | <u>8,510,453</u> | <u>8,564,952</u> |
| Transfers in - Drinking Water Treatment Loan Admin Fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,079</u> | <u>28,079</u> |
| Increase (decrease) in net position | <u>14,309</u> | <u>14,364</u> | <u>1,731</u> | <u>24,095</u> | <u>-</u> | <u>-</u> | <u>8,538,532</u> | <u>8,593,031</u> |
| NET POSITION | | | | | | | | |
| Net position, beginning of year, restated | <u>(22,396)</u> | <u>(57,586)</u> | <u>(6,574)</u> | <u>(55,046)</u> | <u>-</u> | <u>-</u> | <u>208,689,964</u> | <u>208,548,362</u> |
| Net position, end of year | <u>\$ (8,087)</u> | <u>(43,222)</u> | <u>(4,843)</u> | <u>(30,951)</u> | <u>-</u> | <u>-</u> | <u>217,228,496</u> | <u>217,141,393</u> |

OKLAHOMA DEPARTMENT OF ENVIRONMENTAL QUALITY
OKLAHOMA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS INFORMATION - BY PROGRAM COMPONENT
For the Year Ended June 30, 2013

| | Set-Aside Funds | | | | | | | Totals |
|---|-----------------|--------------------|---------------|---|------------|----------------------|--------------|--------------|
| | Administrative | Program Management | Small Systems | Local Assistance and Other State Programs | ARRA Admin | Program Mgmt Reserve | Loan Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Federal grant receipts | \$ 262,859 | 835,046 | 123,037 | 1,733,354 | - | 114,212 | - | 3,068,508 |
| Collection of interest on loans to local governmental units | - | - | - | - | - | - | 13,572,169 | 13,572,169 |
| Payments to employees | (135,082) | (765,978) | (85,321) | (1,061,605) | - | - | - | (2,047,986) |
| Payments to other suppliers | (127,777) | (69,068) | (37,716) | (671,749) | - | (114,212) | (125,993) | (1,146,515) |
| Interest paid on debt | - | - | - | - | - | - | (16,070,975) | (16,070,975) |
| Net cash provided (used) by operating activities | - | - | - | - | - | - | (2,624,799) | (2,624,799) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Principal paid on bonds | - | - | - | - | - | - | (13,300,000) | (13,300,000) |
| Federal grant receipts | - | - | - | - | - | - | 5,990,595 | 5,990,595 |
| Transfers in - Drinking Water Treatment Loan Admin. Fund | - | - | - | - | - | - | 28,079 | 28,079 |
| Net cash provided (used) by noncapital financing activities | - | - | - | - | - | - | (7,281,326) | (7,281,326) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Loans to local governmental units | - | - | - | - | - | - | (61,785,475) | (61,785,475) |
| Collection of principal on loans to local governmental units | - | - | - | - | - | - | 18,019,314 | 18,019,314 |
| Collection of principal on loans to local governmental units from federal grant proceeds | - | - | - | - | - | - | 5,252,063 | 5,252,063 |
| Interest on investments | - | - | - | - | - | - | 3,089,843 | 3,089,843 |
| Interest on invested cash balances | - | - | - | - | - | - | 136,416 | 136,416 |
| Sale (Purchase) of investments | - | - | - | - | - | - | 5,796,697 | 5,796,697 |
| Net cash provided (used) by investing activities | - | - | - | - | - | - | (29,491,142) | (29,491,142) |
| Net increase (decrease) in cash | - | - | - | - | - | - | (39,397,267) | (39,397,267) |
| Cash and cash equivalents, beginning of year | - | - | - | - | - | - | 74,722,534 | 74,722,534 |
| Cash and cash equivalents, end of year | \$ - | - | - | - | - | - | 35,325,267 | 35,325,267 |
| RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | | | | |
| Operating income (loss) | \$ 14,309 | 14,364 | 1,731 | 24,095 | - | - | (781,291) | (726,792) |
| Adjustment to reconcile net operating income to net cash provided by operating activities: | | | | | | | | |
| Depreciation | - | - | - | 13,500 | - | - | - | 13,500 |
| Amortization of bond/note premium | - | - | - | - | - | - | (1,231,541) | (1,231,541) |
| Provision (recovery) for uncollectible loans | - | - | - | - | - | - | (432,019) | (432,019) |
| Changes in operating assets and liabilities: | | | | | | | | |
| Decrease (Increase) in letter of credit payments receivable | (128,154) | (127,712) | 19,584 | (45,631) | 5,017 | 120,100 | - | (156,796) |
| Decrease (Increase) in interest receivable | - | - | - | - | - | - | (312,588) | (312,588) |
| Increase (Decrease) in accounts payable | 105,832 | (506) | - | (113,109) | - | (114,212) | - | (121,995) |
| Increase (Decrease) in due to/from ODEQ | 22,322 | 128,218 | (19,584) | 158,740 | (5,017) | (5,888) | - | 278,791 |
| Increase (Decrease) in compensated absences | (14,309) | (14,364) | (1,731) | (37,595) | - | - | - | (67,999) |
| Increase (Decrease) in other accrued liabilities | - | - | - | - | - | - | (80,361) | (80,361) |
| Increase (Decrease) in interest payable | - | - | - | - | - | - | 213,001 | 213,001 |
| Net cash provided (used) by operating activities | \$ - | - | - | - | - | - | (2,624,799) | (2,624,799) |

APPENDIX K

BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix K concerning The Depository Trust Company (“DTC”) and DTC’s book entry only system has been obtained from DTC, and the Board and the Underwriters take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Series 2014A Bonds. The Series 2014A 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 Series 2014A Bond certificate will be issued for each maturity of the Series 2014A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC at the office of the 2014A Bond Trustee on behalf of DTC utilizing the DTC FAST system of registration.

DTC, the world’s largest securities depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor’s rating of AA+. 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 Series 2014A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2014A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014A 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 2014A Bonds, except in the event that use of the book entry system for the Series 2014A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014A Bonds deposited by Direct Participants with DTC (or the 2014A Bond Trustee on behalf of DTC utilizing the DTC FAST system of registration) 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 Series 2014A Bonds with DTC (or the 2014A Bond Trustee on behalf of DTC utilizing the DTC FAST system of registration) 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 2014A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014A 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 the Series 2014A 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 such other DTC nominee) will consent or vote with respect to the Series 2014A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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 2014A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2014A 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 Board or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments on the Series 2014A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2014A Bonds at any time by giving reasonable notice to the Board or the 2014A Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014A Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Series 2014A Bond certificates will be printed and delivered to DTC.

The Board, Bond Counsel, the 2014A Bond Trustee and the Underwriters cannot and do not give any assurances that the DTC Participants will distribute to the Beneficial Owners of the Series 2014A

Bonds: (i) payments of principal of or interest on the Series 2014A Bonds; (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in the Series 2014A Bonds; or (iii) redemption or other notices sent to DTC or its nominee, as the Registered Owners of the Series 2014A Bonds; or that they will do so on a timely basis or that DTC or its participants will serve and act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

None of the Board, Bond Counsel, the 2014A Bond Trustee or the Underwriters will have any responsibility or obligation to such DTC Participants (Direct or Indirect) or the persons for whom they act as nominees with respect to: (i) the Series 2014A Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by any DTC Participant of any amount due to any Beneficial Owner in respect of the principal amount of or interest on the Series 2014A Bonds; (iv) the delivery by any DTC Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Master Indenture to be given to Registered Owners; (v) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2014A Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner.

In reading this Official Statement, it should be understood that while the Series 2014A Bonds are in the Book Entry system, references in other sections of this Official Statement to Registered Owner should be read to include the Beneficial Owners of the Series 2014A Bonds, but: (i) all rights of ownership must be exercised through DTC and the Book Entry system; and (ii) notices that are to be given to Registered Owners by the Board or the 2014A Bond Trustee will be given only to DTC.

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