
**\$ _____
SOUTH DAKOTA CONSERVANCY DISTRICT
STATE REVOLVING FUND PROGRAM BONDS,
SERIES 2014**

BOND PURCHASE AGREEMENT

October _____, 2014

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South Dakota Conservancy District
Pierre, South Dakota

J.P. Morgan Securities LLC, for itself and as Representative of Wells Fargo Bank, National Association (the “Underwriters”), offers to enter into this Bond Purchase Agreement with respect to \$_____ aggregate principal amount of State Revolving Fund Program Bonds, Series 2014 (the “Bonds”) to be issued by the South Dakota Conservancy District (the “District”). The Bonds are described in the Preliminary Official Statement dated September ____, 2014 (the “Preliminary Official Statement”), the Series Resolution described below and the term sheets attached as Appendix I hereto. A final Official Statement reflecting the terms described in Appendix I shall be prepared in substantially the same form as the Preliminary Official Statement and is hereinafter referred to as the “Official Statement”. If and when accepted by you not later than ____ p.m., Central Time, on October ____, 2014, this document shall constitute our Bond Purchase Agreement.

1. Background. The Bonds are to be issued under Chapters 46A-1 and 46A-2, South Dakota Codified Laws, as amended (the “Act”) for the purpose of providing funds for the District’s Clean Water State Revolving Fund Program and Drinking Water State Revolving Fund Program. The Bonds are to be issued pursuant to a Fifth Amended and Restated Master Trust Indenture dated as of September 1, 2010, as amended (the “Master Trust Indenture”) between the District and The First National Bank in Sioux Falls, as Trustee (the “Trustee”) and a resolution adopted by the South Dakota Board of Water and Natural Resources (the “Board”), as governing body of the District, on September 26, 2014 (the “Series Resolution”). The Bonds consist of \$_____ Taxable Revenue Bonds, Series 2014A (the “Series 2014A Bonds”) and \$_____ Revenue Bonds, Series 2014B (the “Series 2014B Bonds”). The District will execute a Continuing Disclosure Agreement relating to information to be provided under Rule 15c2-12 of the Securities and Exchange Commission.

The Bonds will be sold by us pursuant to the Official Statement.

2. Representations and Warranties of the District. The District, by its acceptance hereof, represents, warrants and covenants to the Underwriters that:

(a) The Series Resolution was duly adopted by the Board and the District has, and at the date of the Closing will have, full legal right, power and authority (i) to enter into this Bond Purchase Agreement, the Continuing Disclosure Agreement and the Master Trust Indenture, (ii) to sell and cause the Bonds to be issued and delivered to the Underwriters as provided herein, and (iii) to carry out and consummate the transactions contemplated by this Bond Purchase Agreement, the Continuing Disclosure Agreement and the Official Statement; and the District has complied, and will at the Closing be in

compliance in all respects, with the terms of the Act and with the obligations on its part contained in this Bond Purchase Agreement.

(b) The District hereby ratifies and approves the Preliminary Official Statement, and hereby authorizes and approves the Official Statement substantially in the form of the Preliminary Official Statement; this Bond Purchase Agreement constitutes a legal, valid and binding obligation of the District; and the Bonds, when executed and delivered to the Underwriters, will constitute legal, valid and binding obligations of the District.

(c) The adoption of the Series Resolution and execution and delivery by the District of this Bond Purchase Agreement, the Continuing Disclosure Agreement and the Master Trust Indenture (or any other instrument to which the District is a party used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement, the Series Resolution or the Master Trust Indenture), and compliance with the provisions of each such instrument, has not constituted and will not conflict with or constitute a breach of, or default under, any other resolution, indenture, commitment, agreement or other instrument to which the District is a party or by which it is bound, or under any provision of the South Dakota Constitution or any existing law, rule, regulation, ordinance, judgment, order or decree to which the District or its properties is subject.

(d) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties contained in this paragraph (d) shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing by or on behalf of the Underwriters expressly for use in the Preliminary Official Statement.

(e) At the time of the District's acceptance hereof and (unless an event occurs of the nature described in subparagraph (f) of this paragraph 2) at all times subsequent thereto up to and including the Closing Date, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) If, after the date of this Bond Purchase Agreement and during the period up to a date twenty-five (25) days following the End of the Underwriting Period (hereinafter defined), any event shall occur to the knowledge of the District which might cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall notify the Underwriters, and if in the opinion of the District or the Underwriters such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District shall at its expense supplement or amend the Official Statement in a form and manner approved by the Underwriters and its

counsel and furnish to the Underwriters a reasonable number of copies of such supplement or amendment. For purposes of this Bond Purchase Agreement, “End of the Underwriting Period” shall mean the date on which the End of the Underwriting Period for the Bonds has occurred under SEC Rule 15c2-12.

(g) If the Official Statement is supplemented or amended, at the time of each such supplement or amendment, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(h) The District shall furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriters may designate, and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and the District shall use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(i) Any certificate signed by an official of the District and delivered to the Underwriters shall be deemed to be a representation and warranty by the District to the Underwriters as to the statements made therein.

(j) The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm’s-length, commercial transaction between the District and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act), financial advisor or fiduciary to the District, (ii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility to the District with respect to this Bond Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the District on other matters), (iii) the only obligations the Underwriters have to the District with respect to the transactions contemplated hereby are set forth in this Bond Purchase Agreement and the Agreement for Investment Banking Services between the Representative and the District, (iv) the Underwriters have financial and other interests that differ from those of the District and (v) the District has consulted with its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

(k) The District has entered or will enter into the Continuing Disclosure Agreement and, unless otherwise described in the Official Statement or set forth below, the District has not failed during the previous five years to comply in all material respects

with any previous undertakings in a written continuing disclosure contract or agreement under SEC Rule 15c2-12.

3. Purchase, Sale and Delivery of the Bonds. On the basis of the representations and warranties of the District and subject to the terms and conditions set forth herein, we agree to purchase, and the District agrees to sell to us, the total principal amount of the Series 2014A Bonds at a purchase price of \$_____, which purchase price reflects a net original issue discount/premium of \$_____ and an Underwriters' discount of \$_____ and the total principal amount of the Series 2014B Bonds at a purchase price of \$_____, which purchase price reflects a net original issue premium/discount of \$_____ and an Underwriters' discount of \$_____. Payment of the purchase price for the Bonds shall be made to the District or its order by wire transfer to the office of the Trustee in Sioux Falls, South Dakota, at 10:00 a.m., Central Time, on October _____, 2014, or on such later date as may be agreed upon by an appropriate officer of the District and us, against delivery of the Bonds to The Depository Trust Company, New York, New York ("DTC") for the account of the Underwriters and confirmation from DTC acceptable to the Underwriters that the Bonds have been received and are held for account of the Underwriters. Payment of the Underwriters' commission shall be by wire transfer to such account as we may designate. The date and time of such payment and delivery are herein called the "Closing Date".

4. Conditions of Underwriters' Obligations. The obligations of the Underwriters hereunder shall be subject to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date, to the accuracy of and compliance with the representations, warranties, and covenants of the District herein, as of the time of delivery of this Bond Purchase Agreement and as of the Closing Date, and are also subject, in the discretion of the Underwriters, to the following further conditions:

(a) The representations and warranties of the District contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date.

(b) At the Closing Date, the Master Trust Indenture, the Series Resolution and the Continuing Disclosure Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except in connection with the transactions contemplated by the Official Statement, and the Official Statement shall not have been supplemented or amended, except as may have been agreed to by the Underwriters.

(c) The District shall have performed and complied with all agreements and conditions contained herein and in the instruments contemplated hereby that are required to be performed or complied with by the District prior to or at the Closing Date.

(d) At or prior to the Closing Date, the Underwriters shall have received the following documents:

(i) The Official Statement, and each supplement or amendment, if any, thereto, executed on behalf of the District by the Chairman;

(ii) Certified copies of the Master Trust Indenture, Series Resolution and the Continuing Disclosure Agreement and all assignments, amendments, supplements and other instruments delivered pursuant thereto;

(iii) An opinion of Perkins Coie LLP, Chicago, Illinois, Bond Counsel, dated the date of the Closing, in substantially the form included in the Official Statement as Appendix E, and (if the foregoing opinion is not addressed to the Underwriters) a letter of such counsel, dated the Closing Date and addressed to the Underwriters, to the effect that the foregoing opinion may be relied upon by the Underwriters to the same extent as if such opinion were addressed to the Underwriters;

(iv) An opinion of the South Dakota Attorney General or Assistant or Deputy Attorney General, dated the Closing Date and addressed to the Underwriters, in form satisfactory to the Underwriters;

(v) A supplemental opinion of Perkins Coie LLP, Bond Counsel, dated the Closing Date and addressed to the Underwriters, in form satisfactory to the Underwriters;

(vi) An opinion of Faegre Baker Daniels LLP, Minneapolis, Minnesota, counsel to the Underwriters, dated the Closing Date and addressed to the Underwriters, addressing such matters as may be requested by the Underwriters;

(vii) A certificate, dated the Closing Date, signed by the Chairman of the District, confirming that the representations and warranties of the District set forth herein are true and correct as of the Closing Date;

(viii) A certificate of an authorized officer of the District, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder, setting forth the expectations of the District on the date of authentication and delivery of the Bonds as to future events, and such certification shall set forth the facts and estimates on which such expectations are based and shall state that to the best of the knowledge and belief of such officer of the District, the District's expectations are reasonable;

(ix) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the District's representation and warranties contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the District on or prior to the Closing Date of all respective agreements then to be performed and conditions then to be satisfied by it; and

(x) Evidence satisfactory to the Underwriters that the Bonds have received ratings of "Aaa" from Moody's Investors Service, Inc. and "AAA" from

Standard & Poor's Public Finance Ratings and that such ratings are in effect on the Closing Date.

All such opinions, certificates, letters and documents will be in compliance with the provisions hereof only if they are in all material respects satisfactory to us, as to which we shall act reasonably.

If any condition of our obligation hereunder to be satisfied prior to the Closing Date is not so satisfied, this Agreement may be terminated by us by notice in writing or by telegram to the District.

We may waive in writing compliance by the District with any one or more of the foregoing conditions or extend the time for their performance.

5. Offering by Underwriters; Official Statement. We shall offer the Bonds for sale to the public in such States as we may determine and in compliance under any applicable registration requirements in the states in which the Bonds will be reoffered. Concessions from the offering price may be allowed to selected dealers and special purchasers. The initial offering price and concessions set forth in the Official Statement may vary after the initial offering. The Bonds may be offered at prices other than the par value thereof. The District hereby consents to the circulation by the Underwriters of the Official Statement. The District deems the Preliminary Official Statement to have been final (for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934) as of the date thereof (except the information permitted to be omitted by such Rule). Promptly upon execution hereof, and in any event within seven business days (excluding Saturdays, Sundays and national holidays) of the date hereof, the District will deliver or cause to be delivered to the Underwriters such number of copies of the final Official Statement as the Underwriters may reasonably request in order for the Underwriters to comply with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12(b)(4). The Official Statement, including any amendments thereto, shall be in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Closing Date to enable the Underwriters to comply with MSRB Rule G-32.

6. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, indemnities, agreements and other statements of the District and the Underwriters set forth in or made pursuant to this Agreement will remain operative and in full force and effect and will survive delivery of and payment for the Bonds.

7. Payment of Costs and Expenses.

(a) Except as set forth in paragraph 7(b), all costs and expenses incident to the execution and performance of this Bond Purchase Agreement and to the sale and delivery of the Bonds to the Underwriters, including, but not limited to, the fees and expenses of Bond Counsel, District's counsel, all fees and expenses of the Trustee, all costs and expenses of preparing, printing and distributing the Official Statement, the Bonds, this Agreement, the Series Resolution, the Master Trust Indenture and related documents,

rating agency fees and all governmental filing and recording fees and expenses, shall be payable by the District.

(b) The Underwriters shall pay all out-of-pocket expenses incurred by the Underwriters in connection with this financing, including travel, communication expenses, all fees and expenses in connection with the registration of the Bonds under the “Blue Sky” laws of any state, the fees and expenses of Underwriters’ counsel, and CUSIP and PSA fees.

8. Termination of Agreement. The Underwriters shall have the right to cancel their obligation to purchase the Bonds and to terminate this Agreement by written notice to the District if, between the date hereof and the Closing Date, in the Representative’s sole and reasonable judgment any of the following events shall occur (each a “Termination Event”):

(a) the market price or marketability of the Bonds, or the ability of the Underwriters to enforce contracts for the sale of the Bonds, shall be materially adversely affected by any of the following events:

(i) legislation shall have been enacted by the Congress of the United States or the legislature of the State or shall have been favorably reported out of committee of either body or be pending in committee of either body, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President’s Cabinet, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or state authority with appropriate jurisdiction, with respect to federal or state taxation upon interest received on obligations of the general character of the Bonds; provided that, this paragraph (a)(i) shall not apply to the Series 2014A Bonds being issued as taxable Bonds; or

(ii) there shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war, (2) any other calamity or crisis in the financial markets of the United States or elsewhere, (3) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations, or (4) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or other political subdivision located in the United States having a population of over 500,000; or

(iii) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether

by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or

(iv) legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Bonds, the Master Indenture or the Series Resolution, or any comparable securities of the District, are not exempt from the registration, qualification or other requirements of the Securities Act or the Trust Indenture Act or otherwise, or would be in violation of any provision of the federal securities laws; or

(v) except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the District shall have occurred; or

(vi) any rating on obligations on a parity with the Bonds is reduced or withdrawn or placed on credit watch with negative outlook by any major credit rating agency; or

(b) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Underwriters) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, the District refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(c) a general banking moratorium shall have been declared by federal or State authorities having jurisdiction and be in force; or

(d) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(e) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(f) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or

made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Securities Exchange Act and the Trust Indenture Act.

If this Bond Purchase Agreement shall be terminated pursuant to Section 4 or this Section 8, or if the purchase provided for herein is not consummated because any condition to our obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the District to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the District shall be unable to perform all of its obligations under this Bond Purchase Agreement, the District shall not be liable to us for damages on account of loss of anticipated profits or other damages arising out of the transactions covered by this Bond Purchase Agreement, but the District shall remain liable for all costs and expenses related to this Bond Purchase Agreement and the Bonds to the extent provided in Section 7 hereof, and the District shall pay all out-of-pocket expenses incurred by us in contemplation of the purchase and sale of the Bonds.

9. Notices and Governing Law. All communications hereunder shall be in writing and, except as otherwise provided, shall be delivered at, or mailed or telegraphed to, the following addresses: if to the Underwriters, to J.P. Morgan Securities LLC at 383 Madison Avenue, New York, New York 10179, Attention: Tim Williams; if to the District, addressed to it at 523 East Capitol Avenue, Joe Foss Building-Lower Level, Pierre, South Dakota 57501-3181, Attention: James F. Feeney. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of South Dakota.

10. Parties in Interest. This Agreement shall be binding upon and shall inure to the benefit of the Underwriters and the District, and, to the extent expressed, any person controlling the District, the Underwriters and their respective executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term “successors and assigns” shall not include any purchaser of the Bonds, as such purchaser, from the Underwriters.

11. Time. Time shall be of the essence of this Bond Purchase Agreement.

12. Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Agreement, kindly sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement between the District and the Underwriters in accordance with its terms.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By _____
Its Executive Director

Executed October _____, 2014,
at _____ o'clock _____.M. CT

Confirmed and accepted by the District adopted
as of the date first above written.

SOUTH DAKOTA CONSERVANCY DISTRICT

By _____
Its _____

APPENDIX I

SUMMARY OF TERMS OF THE SERIES 2014 BONDS

**South Dakota Conservancy District
State Revolving Fund Program Bonds, Series 2014
Taxable Revenue Bonds, Series 2014A**

1. The Series 2014A Bonds are subject to redemption prior to maturity at any time at the price described at pages _____ and _____ in the Preliminary Official Statement.

South Dakota Conservancy District
State Revolving Fund Program Bonds, Series 2014
Revenue Bonds, Series 2014B

1. The Series 2014B Bonds having a stated maturity on or after August 1, _____, are subject to redemption prior to maturity on or after August 1, _____, at a redemption price of 100% of the principal amount plus accrued interest.

2. The Series 2014B Bonds are subject to redemption and payment prior to maturity on August 1, _____, and August 1, _____, in such amounts on each such date as are necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2014B Bonds. The redemption price for any August 1, _____, redemption shall be _____% of the amortized issue price and the redemption price for any August 1, _____, redemption shall be _____% of the amortized issue price. The redemption prices for such dates and for each maturity of the Series 2014B Bonds are as follows, plus accrued interest on the principal amount redeemed to the date of redemption.