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Minutes of the
Board of Water and Natural Resources
Telephone Conference Call Meeting
523 East Capitol
Pierre, South Dakota

July 21, 2005
8:00 a.m. CDT

CALL TO ORDER: The meeting was called to order by Chairman Brad Johnson. A quorum of the board members participated.

BOARD MEMBERS: Brad Johnson, John Loucks, Gene Jones, Dale Kennedy, and Don Rounds.

BOARD MEMBERS ABSENT: Don Bollweg and Kelly Wheeler.

OTHERS: Kathy Kardell and Jessica Cameron, PFM, Bert Olson and Kristi Weiderich, First National Bank in Sioux Falls, Dave Templeton, Jim Feeney, Mike Perkovich, and Elayne Lande, DENR.

SELECTION OF SENIOR MANAGING UNDERWRITER: Mr. Feeney reported that on June 21, 2005, the Request for Proposals (RFP) for the senior managing underwriter were distributed electronically to 10 firms. By the July 6, 2005, deadline, the department received proposals from six firms. The proposals from USB Financial Services, AG Edwards, Citigroup, and JP Morgan were to serve as the senior managing underwriter. UBS Financial Services served as managing underwriter for the 2004 bond issue. The proposals from Dougherty & Associates and Piper Jaffrey were to serve as co-managers. Dougherty & Associates served as co-manager for the 2004 bond issue and was the underwriter in 2001. The proposals were distributed to all of the board members prior to this meeting.

The finance review team consisting of Gene Jones, Brad Johnson, and Dale Kennedy, DENR staff, Harold Deering, and Kathy Kardell and Jessica Cameron with Public Financial Management (PFM), bond counsel Bruce Bonjour, and Bert Olson and Kristi Weiderich with the First National Bank in Sioux Falls, reviewed the proposals and held a conference call on July 13, 2005. UBS was the leading candidate based on their work on the 2004 bond issue. Also, UBS' proposal as sole manager had the lowest compensation level. Following the conference call, UBS was requested to submit a revised fee proposal on a $50,000,000 tax-exempt bond issue looking at utilizing two co-managers and a selling group. The fee proposal was received by DENR on July 18, and a copy was provided to the board prior to today's meeting.

On July 19, 2005, the finance review team held a conference call to discuss the fee proposal.

Brad Johnson stated that the BWNR subcommittee recommended selecting UBS Financial Services as the senior managing underwriter and to utilize a selling group.

Motion by Johnson, seconded by Kennedy, to adopt Resolution #2005-85 approving the selection of UBS Financial Services to serve as senior managing underwriter for the 2005 bond issue and directing the staff to negotiate a contract with UBS Financial Services consistent with the provisions of the firm's response to the Request For Proposals and its July 18, 2005, letter. A roll call vote was taken, and the motion carried unanimously.

Kathy Kardell, PFM, explained the role of the senior manager and the selling group. She noted that a timeframe for selling the bonds will be established in the near future.

UTILIZATION OF UNRESTRICTED CUMULATIVE EXCESS ACCOUNT: Mr. Feeney reported that the unrestricted cumulative excess account is the program's excess interest. Up to this point this account has not been utilized for disbursing funds to borrowers. Because of the demand on both of the SRF programs, those interest accounts are being accessed and the funds are being disbursed to borrowers.

ADJOURN: Chairman Johnson declared the meeting adjourned.

Approved this 22' day of September, 2005.

(SEAL)

Chairman, Board of Water and Natural Resources

ATTEST:I

Secretary, Board of Water and Natural Resources