

ORDINANCE NO. 2016-1

An Ordinance of the Blue Lake Conservancy District authorizing the current refunding by the District of its Sewage Works Revenue Bonds of 1999; authorizing the issuance of sewage works refunding revenue bonds for such purpose; providing for the collection, segregation and distribution of the revenues of the sewage works; the safeguarding of the interests of the owners of the sewage works refunding revenue bonds authorized herein; other matters connected therewith; and repealing ordinances inconsistent herewith

WHEREAS, the Blue Lake Conservancy District ("District") has heretofore established, constructed and financed a sewage works, and will own and operate said sewage works pursuant to IC 14-33, and other applicable laws as in effect on the date of delivery of the bonds issued hereunder; and

WHEREAS, the Board of Directors of the District ("Board of Directors") finds that certain hereinafter described outstanding bonds of the sewage works should be refunded to remove restrictive covenants in the existing obligations of the sewage works that impede additional financing; that the refunding of said outstanding bonds, together with accrued interest thereon and including all costs related to the refunding cannot be provided for out of funds of the sewage works now on hand and the refunding should be accomplished by the use of certain funds on hand and the issuance of revenue bonds of the sewage works; and

WHEREAS, the Board of Directors finds that there are now outstanding bonds issued to finance the construction of the sewage works system payable out of the revenues therefrom designated "Sewage Works Revenue Bonds of 1999" dated December 23, 1999 ("1999 Bonds"), originally issued in the amount of \$1,852,000 now outstanding in the amount of \$844,382, and maturing annually over a period ending April 1, 2021, which 1999 Bonds constitute a first charge upon the Net Revenues (as hereinafter defined) of the sewage works; and

WHEREAS, the Board of Directors finds that the 1999 Bonds (hereinafter, "Refunded Bonds") should be refunded pursuant to the provisions of IC 5-1-5 to remove restrictive covenants in the existing obligations of the sewage works that impede additional financing; and

WHEREAS, the Board of Directors finds that there are insufficient funds on hand of the District available to apply on the cost of the refunding and that it is necessary to finance the costs of the refunding by the issuance of refunding revenue bonds in an amount not to exceed \$950,000 and to use the proceeds to currently refund the Refunded Bonds and to pay for all costs related to the refunding and the issuance of the bonds hereunder; and

WHEREAS, the bonds to be issued pursuant to this ordinance will constitute a first charge against the Net Revenues of the sewage works, and are to be issued subject to the provisions of the laws of the hereinafter defined Act, and the terms and restrictions of this ordinance; and

WHEREAS, the Board of Directors now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of revenue refunding bonds have been complied with in accordance with the provisions of IC 5-1-5 and IC 14-33, each as in effect on the date of delivery of the bonds authorized herein (collectively, "Act");

NOW THEREFORE, BE IT ORDAINED BY THE BOARD OF DIRECTORS OF THE BLUE LAKE CONSERVANCY DISTRICT THAT:

Section 1. Issuance of Refunding Bonds; Redemption of Refunded Bonds. (a) The District, being the owner of and engaged in operating an unencumbered sewage works supplying the District, its inhabitants, and the residents adjacent thereto, with sewage collection services, now finds it necessary to provide funds for refunding the Refunded Bonds thereby removing restrictive covenants that impede additional financing. Based on reports submitted by the

District's financial advisor, H.J. Umbaugh & Associates, Certified Public Accountants, LLP ("Financial Advisor"), the Refunded Bonds contain a balloon payment for the final payment; the District will need to refinance the Refunded Bonds to remove the balloon payment, the size of which impedes the District's ability to issue any additional bonds.. The terms "sewage works," "sewage works system," "works," "system," and words of like import where used in this ordinance shall be construed to mean all structures and property of the existing sewage works system and all real estate and equipment used in connection therewith and appurtenances thereto, and all extensions, additions and improvements thereto and replacements thereof now or at any time hereafter constructed or acquired.

(b) The District is hereby authorized to issue its sewage works refunding revenue bonds ("Refunding Bonds"), in the aggregate principal amount not to exceed \$950,000 to be designated "Sewage Works Refunding Revenue Bonds of ____" (to be completed with the year in which the Refunding Bonds are issued), for the purpose of procuring funds to apply on the current refunding of the Refunded Bonds, the payment of costs of issuance and all other costs related to the refunding. The District shall apply moneys currently held for the payment of debt service on the Refunded Bonds to the refunding as provided in Sections 7 and 12.

The Refunding Bonds shall be sold at a price not less than 98.5% of the par value thereof, in fully registered form in denominations of Five Thousand Dollars (\$5,000) or any integral multiple thereof. The Refunding Bonds shall be numbered consecutively from 1 up, originally dated as of the first day of the month in which they are sold or the date of delivery, as determined by the Treasurer with the advice of its Financial Advisor, and shall bear interest at a rate or rates not exceeding 5.25% per annum (the exact rate or rates to be determined through negotiation with the purchaser thereof). Interest is payable semiannually on April 1 and October 1, in each

year, commencing on the first April 1 or the first October 1 following the delivery of the Refunding Bonds as determined by the Treasurer, with the advice of the District's Financial Advisor. Principal shall be payable in lawful money of the United States of America, and such Bonds shall mature semiannually on April 1 and October 1, over a period ending no later than October 1, 2036, and in such amounts as will produce as level annual debt service as practicable with \$5,000 integral multiples. Interest on the Refunding Bonds shall be calculated according to a 360-day calendar year containing twelve 30-day months.

All or a portion of the Refunding Bonds may be issued as one or more term bonds, upon election of the Purchaser, as hereinafter defined. Such term bonds shall have a stated maturity or maturities on April 1 or October 1 on the dates as determined by the Purchaser, but in no event later than the final serial maturity date of the Refunding Bonds as hereafter determined in accordance with the above paragraph. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date, on principal payment dates which are hereinafter determined in accordance with the above paragraph.

Section 2. Registrar and Paying Agent; Book-Entry Provisions. The Chairman and Treasurer are hereby authorized to select a qualified financial institution to serve as Registrar and Paying Agent for the Refunding Bonds ("Registrar" or "Paying Agent"). The Registrar is hereby charged with the responsibility of authenticating the Refunding Bonds. The Treasurer is hereby authorized to enter into such agreements or understandings with the Registrar as will enable the institution to perform the services required of a registrar and paying agent. The Treasurer is further authorized to pay such fees as the Registrar may charge for the services it provides as Registrar and Paying Agent and such fees may be paid from the Sewage Works Sinking Fund

established to pay the principal of and interest on the Refunding Bonds as fiscal agency charges. Upon agreement with the Purchaser, the Treasurer of the District may serve as Registrar and Paying Agent, and, in that case, shall be charged with all duties of Registrar and Paying Agent under this ordinance.

The principal of the Refunding Bonds shall be payable at the principal corporate trust office of the Paying Agent. All payments of interest on the Refunding Bonds shall be paid by check, mailed one business day prior to the interest payment date to the registered owners thereof as the names appear as of the fifteenth day of the month preceding the interest payment date ("Record Date") and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by such registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the Refunding Bonds shall be made in any coin or currency of the United States of America, which on the date of such payment, shall be legal tender for the payment of public and private debts.

Each Refunding Bond shall be transferable or exchangeable only upon the books of the District kept for that purpose at the principal corporate trust office of the Registrar by the registered owner in person, or by its attorney duly authorized in writing, upon surrender of such Refunding Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner, or its attorney duly authorized in writing, and

thereupon a new fully registered Refunding Bond or Refunding Bonds in an authorized aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or the registered owner, as the case may be, in exchange therefor. The costs of such transfer or exchange shall be borne by the District except for any tax or governmental charge required to be paid with respect to the transfer or exchange, which taxes or governmental charges are payable by the person requesting such transfer or exchange. The District and the Registrar and Paying Agent for the Refunding Bonds may treat and consider the person in whose name such Refunding Bonds are registered as the absolute owner thereof for all purposes including for the purpose of receiving payment of, or on account of, the principal thereof and interest due thereon.

The Registrar and Paying Agent may at any time resign as Registrar and Paying Agent upon giving 30 days' notice in writing to the District and by first class mail to each registered owner of the Refunding Bonds then outstanding, and such resignation will take effect at the end of such 30 day period or upon the earlier appointment of a successor registrar and paying agent by the District. Any such notice to the District may be served personally or sent by registered mail. The Registrar and Paying Agent may be removed at any time as Registrar and Paying Agent by the District, in which event the District may appoint a successor registrar and paying agent. The District shall notify each registered owner of the Refunding Bonds then outstanding by first class mail of the removal of the Registrar and Paying Agent. Notices to the registered owners of the Refunding Bonds shall be deemed to be given when mailed by first class mail to the addresses of such registered owners as they appear on the registration books kept by the Registrar.

Upon the appointment of any successor registrar and paying agent by the District, the Treasurer is authorized and directed to enter into such agreements and understandings with such successor registrar and paying agent as will enable the institution to perform the services required of a registrar and paying agent for the Refunding Bonds. The Treasurer is further authorized to pay such fees as the successor registrar and paying agent may charge for the services it provides as registrar and paying agent and such fees may be paid from the Sewage Works Sinking Fund created in Section 12 hereof. Any predecessor registrar and paying agent shall deliver all of the Refunding Bonds and any cash or investments in its possession with respect thereto, together with the registration books, to the successor registrar and paying agent.

Interest on the Refunding Bonds shall be payable from the interest payment date to which interest has been paid next preceding the authentication date of the Refunding Bonds unless the Refunding Bonds are authenticated after the Record Date and on or before such interest payment date in which case they shall bear interest from such interest payment date, or unless the Refunding Bonds are authenticated on or before the Record Date preceding the first interest payment date, in which case they shall bear interest from the original date until the principal shall be fully paid.

The District has determined that it may be beneficial to the District to have the Refunding Bonds held by a central depository system pursuant to an agreement between the district and The Depository Trust Company, New York, New York ("Depository Trust Company") and have transfers of the Refunding Bonds effected by book-entry on the books of the central depository system ("Book Entry System"). The Refunding Bonds may be initially issued in the form of a separate single authenticated fully registered Refunding Bond for the aggregate principal amount of each separate maturity of the Refunding Bonds. In such case, upon initial issuance, the

ownership of such Refunding Bonds shall be registered in the register kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company.

With respect to the Refunding Bonds registered in the register kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company, the District and the Paying Agent shall have no responsibility or obligation to any other holders or owners (including any beneficial owner ("Beneficial Owner")) of the Refunding Bonds with respect to (i) the accuracy of the records of the Depository Trust Company, CEDE & CO., or any Beneficial Owner with respect to ownership questions, (ii) the delivery to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any notice with respect to the Refunding Bonds including any notice of redemption, or (iii) the payment to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any amount with respect to the principal of, or premium, if any, or interest on the Refunding Bonds except as otherwise provided herein.

No person other than the Depository Trust Company shall receive an authenticated Refunding Bond evidencing an obligation of the District to make payments of the principal of and premium, if any, and interest on the Refunding Bonds pursuant to this ordinance. The District and the Registrar and Paying Agent may treat as and deem the Depository Trust Company or CEDE & CO. to be the absolute bondholder of each of the Refunding Bonds for the purpose of (i) payment of the principal of and premium, if any, and interest on such Refunding Bonds; (ii) giving notices of redemption and other notices permitted to be given to bondholders with respect to such Refunding Bonds; (iii) registering transfers with respect to such Refunding Bonds; (iv) obtaining any consent or other action required or permitted to be taken of or by bondholders; (v) voting; and (vi) for all other purposes whatsoever. The Paying Agent shall pay

all principal of and premium, if any, and interest on the Refunding Bonds only to or upon the order of the Depository Trust Company, and all such payments shall be valid and effective fully to satisfy and discharge the District's and the Paying Agent's obligations with respect to principal of and premium, if any, and interest on the Refunding Bonds to the extent of the sum or sums so paid. Upon delivery by the Depository Trust Company to the District of written notice to the effect that the Depository Trust Company has determined to substitute a new nominee in place of CEDE & CO., and subject to the provisions herein with respect to consents, the words "CEDE & CO." in this ordinance shall refer to such new nominee of the Depository Trust Company. Notwithstanding any other provision hereof to the contrary, so long as any Refunding Bond is registered in the name of CEDE & CO., as nominee of the Depository Trust Company, all payments with respect to the principal of and premium, if any, and interest on such Refunding Bonds and all notices with respect to such Refunding Bonds shall be made and given, respectively, to the Depository Trust Company as provided in a representation letter from the District to the Depository Trust Company.

Upon receipt by the District of written notice from the Depository Trust Company to the effect that the Depository Trust Company is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Depository Trust Company hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Refunding Bonds shall no longer be restricted to being registered in the register of the District kept by the Registrar in the name of CEDE & CO., as nominee of the Depository Trust Company, but may be registered in whatever name or names the bondholders transferring or exchanging the Refunding Bonds shall designate, in accordance with the provisions of this ordinance.

If the District determines that it is in the best interest of the bondholders that they be able to obtain certificates for the fully registered Refunding Bonds, the District may notify the Depository Trust Company and the Registrar, whereupon the Depository Trust Company will notify the Beneficial Owners of the availability through the Depository Trust Company of certificates for the Refunding Bonds. In such event, the Registrar shall prepare, authenticate, transfer and exchange certificates for the Refunding Bonds as requested by the Depository Trust Company and any Beneficial Owners in appropriate amounts, and whenever the Depository Trust Company requests the District and the Registrar to do so, the Registrar and the District will cooperate with the Depository Trust Company by taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the fully registered Refunding Bonds of any Beneficial Owner's Depository Trust Company account or (ii) to arrange for another securities depository to maintain custody of certificates for and evidencing the Refunding Bonds.

If the Refunding Bonds shall no longer be restricted to being registered in the name of a Depository Trust Company, the Registrar shall cause the Refunding Bonds to be printed in blank in such number as the Registrar shall determine to be necessary or customary; provided, however, that the Registrar shall not be required to have such Refunding Bonds printed until it shall have received from the District indemnification for all costs and expenses associated with such printing.

In connection with any notice or other communication to be provided to bondholders by the District or the Registrar with respect to any consent or other action to be taken by bondholders, the District or the Registrar, as the case may be, shall establish a record date for

such consent or other action and give the Depository Trust Company notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

So long as the Refunding Bonds are registered in the name of the Depository Trust Company or CEDE & CO. or any substitute nominee, the District and the Registrar and Paying Agent shall be entitled to request and to rely upon a certificate or other written representation from the Beneficial Owners of the Refunding Bonds or from the Depository Trust Company on behalf of such Beneficial Owners stating the amount of their respective beneficial ownership interests in the Refunding Bonds and setting forth the consent, advice, direction, demand or vote of the Beneficial Owners as of a record date selected by the Registrar and the Depository Trust Company, to the same extent as if such consent, advice, direction, demand or vote were made by the bondholders for purposes of this ordinance and the District and the Registrar and Paying Agent shall for such purposes treat the Beneficial Owners as the bondholders. Along with any such certificate or representation, the Registrar may request the Depository Trust Company to deliver, or cause to be delivered, to the Registrar a list of all Beneficial Owners of the Refunding Bonds, together with the dollar amount of each Beneficial Owner's interest in the Refunding Bonds and the current addresses of such Beneficial Owners.

Section 3. Redemption of Refunding Bonds. (a) The Refunding Bonds maturing on and after October 1, 2024 are redeemable at the option of the District on April 1, 2024, and on any date thereafter, on thirty (30) days' notice, in whole or in part, in the order of maturity as determined by the District and by lot within a maturity, at face value, together with no premium, plus in each case accrued interest to the date of redemption.

(b) If any Refunding Bond is issued as a term bond, the Paying Agent shall credit against the mandatory sinking fund requirement for the Refunding Bonds maturing as term

bonds, and corresponding mandatory redemption obligation, in the order determined by the District, any Refunding Bonds maturing as term bonds which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Registrar for cancellation or purchased for cancellation by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each Refunding Bond maturing as a term bond so delivered or cancelled shall be credited by the Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory sinking fund date, and any excess of such amount shall be credited on future redemption obligations, and the principal amount of the Refunding Bonds to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall credit only such Refunding Bonds maturing as term bonds to the extent received on or before forty-five (45) days preceding the applicable mandatory redemption date.

(c) Each Five Thousand Dollars (\$5,000) of principal amount shall be considered a separate bond for purposes of optional and mandatory redemption. If less than an entire maturity is called for redemption, the Refunding Bonds to be called shall be selected by lot by the Registrar. If some Refunding Bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the Refunding Bonds for optional redemption before selecting the Refunding Bonds by lot for the mandatory sinking fund redemption.

In either case, notice of such redemption shall be given by mail at least thirty (30) days prior to the date fixed for redemption unless the notice is waived by the registered owner of a Refunding Bond. Such notice shall be mailed to the address of the registered owners as shown on the registration records of the District as of the date which is forty-five (45) days prior to such

redemption date. The notice shall specify the date and place of redemption and sufficient identification of the Refunding Bonds called for redemption. The place of redemption shall be determined by the District. Interest on the Refunding Bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the principal office of the Paying Agent to pay the redemption price on the date so named. Coincidentally with the payment of the redemption price, the Refunding Bonds so called for redemption shall be surrendered for cancellation.

Section 4. Execution and Negotiability. Each of the Refunding Bonds shall be executed in the name of the District by the manual or facsimile signature of the Chairman and attested by the manual or facsimile signature of its Secretary, and the seal of the District, if any, shall be affixed, imprinted or impressed to or on each of the Refunding Bonds manually, by facsimile or any other means; and these officials, by the execution of a Signature and No Litigation Certificate, shall adopt as and for their own proper signatures the facsimile signatures appearing on the Refunding Bonds. In case any officer whose signature or facsimile signature appears on the Refunding Bonds shall cease to be such officer before the delivery of the Refunding Bonds, the signature of such officer shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

The Refunding Bonds shall have all of the qualities and incidents of negotiable instruments under the laws of the State of Indiana, subject to the provisions for registration herein.

The Refunding Bonds shall also be authenticated by the manual signature of the Registrar, and no Refunding Bond shall be valid or become obligatory for any purpose until the certificate of authentication thereon has been so executed.

Section 5. Form of Bonds. The form and tenor of the Refunding Bonds shall be substantially as follows, all blanks to be filled in properly and all necessary additions and deletions to be made prior to delivery thereof:

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Blue Lake Conservancy District or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

NO. _____

UNITED STATES OF AMERICA

STATE OF INDIANA

COUNTY OF WHITLEY

BLUE LAKE CONSERVANCY DISTRICT
SEWAGE WORKS REFUNDING REVENUE BOND OF _____

[INTEREST RATE]	[MATURITY DATE]	ORIGINAL <u>DATE</u>	AUTHENTICATION <u>DATE</u>	[CUSIP]
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REGISTERED OWNER:

PRINCIPAL SUM:

The Blue Lake Conservancy District ("District"), Whitley County, State of Indiana, for value received, hereby promises to pay to the Registered Owner named above or registered assigns, solely out of the special revenue fund hereinafter referred to, the Principal Sum [set forth on the Maturity Date set forth above] OR [on April 1 and October 1 on the dates and in the amounts as set forth on Exhibit A attached hereto] (unless this bond be subject to and be called for redemption prior to maturity as hereinafter provided), and to pay interest hereon at the Interest Rate[s] per annum [stated above] OR [as set forth on Exhibit A attached hereto] from the interest payment date to which interest has been paid next preceding the Authentication Date of this bond unless this bond is authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case it shall bear interest from such interest payment date or unless this bond is authenticated on or before _____ 15, 20____, in which case it shall bear interest from the Original Date, until the principal is paid, which interest is payable semiannually on the first day of April and

October of each year, beginning on _____ 1, 20____. Interest on the bonds shall be calculated according to a 360-day calendar year containing twelve 30-day months.

The principal of this bond is payable at the principal office of _____ ("Registrar" or "Paying Agent"), in the _____ of _____, Indiana. All payments of interest on this bond shall be paid by check, mailed one business day prior to the interest payment date to the registered owner hereof as of the fifteenth day of the month preceding such interest payment date at the address as it appears on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by the registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the bond shall be made in any coin or currency of the United States of America, which on the dates of such payment, shall be legal tender for the payment of public and private debts.

THIS BOND SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE PROVISIONS AND LIMITATIONS OF THE CONSTITUTION OF THE STATE OF INDIANA, AND THE DISTRICT SHALL NOT BE OBLIGATED TO PAY THIS BOND OR THE INTEREST HEREON EXCEPT FROM THE SPECIAL FUND PROVIDED FROM THE NET REVENUES (AS HEREINAFTER DEFINED).

This bond is [the only] one of an authorized issue of bonds of the District[, of like date, tenor and effect, except as to numbering, interest rate, and date of maturity], aggregating _____ Dollars (\$ _____); numbered consecutively from 1 up, issued for the purpose of refunding certain Refunded Bonds (as defined in the hereinafter defined Ordinance) and to pay issuance expenses. This bond is issued pursuant to an Ordinance adopted by the Board of Directors of the District on the _____ day of _____, 2016, entitled "An Ordinance of the Blue Lake Conservancy District authorizing the current refunding by the District of its Sewage Works Revenue Bonds of 1999; authorizing the issuance of sewage works refunding revenue bonds for such purpose; providing for the collection, segregation and distribution of the revenues of the sewage works; the safeguarding of the interests of the owners of the sewage works refunding revenue bonds authorized herein; other matters connected therewith; and repealing ordinances inconsistent herewith" ("Ordinance"), and in strict compliance with the provisions of IC 5-1-5 and IC 14-33, each as in effect on the date of delivery of the bonds ("Act"), the proceeds of which bonds are to be applied solely to the current refunding of the Refunded Bonds and expenses incurred in connection therewith.

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this bond and all other bonds of said issue, and any bonds hereafter issued on a parity therewith, are payable solely from the Sewage Works Sinking Fund (created by the Ordinance) ("Sinking Fund") to be provided from the Net Revenues (defined as the gross revenues after the deduction only for the payment of the reasonable expenses of operation and maintenance) of the sewage works of the District.

[Pursuant to the Ordinance and the Escrow Agreement defined therein, the District has set aside securities (purchased from proceeds of the bonds of this issue and funds on hand of the District) and certain cash in a Trust Account to provide payment of principal of and interest on the Refunded Bonds by the purchase of obligations of the United States of America.]

The District irrevocably pledges the entire Net Revenues of said sewage works to the prompt payment of the principal of and interest on the bonds authorized by the Ordinance, of which this is one, and any bonds ranking on a parity therewith, to the extent necessary for that purpose, and covenants that it will cause to be fixed, maintained and collected such rates and charges for service rendered by said sewage works as are sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the sewage works and for the payment of the sums required to be paid into the Sinking Fund under the provisions of the Act and the Ordinance. If the District or the proper officers of the District shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the interest on or principal of this bond, the owner of this bond shall have all of the rights and remedies provided for under Indiana law.

The District further covenants that it will set aside and pay into its Sinking Fund monthly, as available, or more often if necessary, a sufficient amount of the Net Revenues of the works for payment of: (a) the interest on all bonds which by their terms are payable from the revenues of the sewage works, as such interest shall fall due; (b) the necessary fiscal agency charges for paying bonds and interest; (c) the principal of all bonds which by their terms are payable from the revenues of the sewage works, as such principal shall fall due; and (d) an additional amount as a margin of safety to [create and] maintain the debt service reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of the sewage works.

The bonds maturing on and after October 1, 2024 are subject to redemption at the option of the District on April 1, 2024 or any date thereafter, on thirty (30) days' notice, in whole or in part, in the order of maturity as determined by the District and by lot within a maturity, at face value, together with no premium, plus accrued interest to the date fixed for redemption.

[The bonds maturing on _____ 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest on April 1 and October 1 on the dates and in the amounts set forth below:

20__ Term Bond

<u>Date</u>	<u>Amount</u>
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*

*Final Maturity]

Each Five Thousand Dollars (\$5,000) principal amount shall be considered a separate bond for purposes of optional [and mandatory] redemption. If less than an entire maturity is called for redemption, the bonds to be redeemed shall be selected by lot by the Registrar. [If

Revenue Code of 1986 relating to the disallowance of 100% of the deduction for interest expense allocable to tax-exempt obligations.

The bonds maturing in any one year are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the preparation and complete execution, issuance and delivery of this bond have been done and performed in regular and due form as provided by law.

This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by an authorized representative of the Registrar.

IN WITNESS WHEREOF, the Blue Lake Conservancy District, in Whitley County, Indiana, has caused this bond to be executed in its corporate name by the manual or facsimile signature of its Chairman, [its corporate seal to be hereunto affixed, imprinted or impressed by any means] and attested manually or by facsimile by its Secretary.

BLUE LAKE CONSERVANCY DISTRICT

By _____
Chairman, Board of Directors

[SEAL]

Attest:

Secretary

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

It is hereby certified that this bond is one of the bonds described in the within-mentioned Ordinance.

as Registrar

By: _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____, the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____, Attorney, to transfer the within bond in the books kept for the registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guarantee program.

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

[Exhibit A]

[end of bond form]

Section 6. Authorization for Preparation and Sale of the Refunding Bonds; Offering Circular. (a) The Secretary is hereby authorized and directed to have the Refunding Bonds prepared, and the Chairman and Secretary are hereby authorized and directed to execute the Refunding Bonds in the form and manner herein provided. The Treasurer is hereby authorized to negotiate the sale of the Refunding Bonds to a purchaser ("Purchaser") with the advice of the District's Financial Advisor. Such sale may be negotiated by the solicitation of bids by the District's Financial Advisor. The Chairman and the Treasurer are hereby authorized to execute a Purchase Contract or Bond Placement Agreement ("Purchase Contract") and deliver the Refunding Bonds to the Purchaser so long as their terms are consistent with this ordinance. Such Purchase Contract shall establish a final principal amount, purchase price, interest rates, maturity schedule, and term bond mandatory redemptions, if any.

(b) To the extent required, the Treasurer is hereby authorized to appoint a financial institution to serve as escrow trustee ("Escrow Trustee") for the Refunding Bonds in accordance

with the terms of the Escrow Agreement between the District and the Escrow Trustee ("Escrow Agreement"). The Chairman and the Treasurer are hereby authorized and directed to complete, execute and attest an Escrow Agreement on behalf of the District so long as its provisions are consistent with this ordinance and the Purchase Contract.

(c) The execution, by either the Chairman, the Treasurer, the Purchaser, or the District's Financial Advisor, of a subscription for United States Treasury Obligations – State and Local Government Series for investments of proceeds of the Refunding Bonds to be held under the Escrow Agreement in a manner consistent with this ordinance is hereby approved.

(d) An Offering Circular to be prepared by the District's Financial Advisor, on behalf of the District, is hereby approved and the Chairman or the Treasurer are authorized and directed to execute the Offering Circular on behalf of the District in a form consistent with this ordinance. The District may obtain an investment letter from the purchaser of the Bonds in a form satisfactory to the District's attorney and bond counsel and consistent with this ordinance if necessary to satisfy state and federal securities laws.

(e) The Refunding Bonds, when fully paid for and delivered to the Purchaser, shall be the binding special revenue obligations of the District, payable out of the Net Revenues (herein defined as gross revenues after deduction only for the payment of the reasonable expenses of operation and maintenance), to be set aside into the Sewage Works Sinking Fund created in Section 10. The proper officers of the District are hereby directed to sell the Refunding Bonds to the Purchaser, to draw all proper and necessary warrants, and to do whatever acts and things which may be necessary to carry out the provisions of this ordinance.

Section 7. Refunding of the Refunded Bonds and Costs of Issuance. (a) The Treasurer shall, with the assistance of the District's Financial Advisor and legal counsel,

Section 12 and used to pay interest on the Refunding Bonds on the first interest payment date for the Refunding Bonds.

Section 9. Pledge of Net Revenues to Bonds. The Bonds and any bonds ranking on a parity therewith, as to both principal and interest, shall be payable from and secured by an irrevocable pledge of and shall constitute a first charge upon the Net Revenues of the sewage works of the District. The District shall not be obligated to pay the Bonds or the interest thereon except from the Net Revenues of the sewage works, and the Bonds shall not constitute an indebtedness of the District within the meaning of the provisions and limitations of the constitution of the State of Indiana.

Section 10. Revenues. All revenues derived from the operation of the sewage works and from the collection of sewer rates and charges shall be deposited in the Sewage Works Revenue Fund ("Revenue Fund"), hereby created, and segregated and deposited as set forth in this ordinance. Of these revenues, the proper and reasonable expenses of operation, repair and maintenance of the sewage works shall be paid, the principal and interest of all bonds and fiscal agency charges of registrars or paying agents shall be paid, the Reserve Account shall be funded and the costs of replacements, extensions, additions and improvements to the sewage works shall be paid.

Section 11. Operation and Maintenance Fund. Moneys heretofore accumulated pursuant to the ordinance authorizing the Refunded Bonds in an amount equal to the expenses of operation, repair and maintenance of the sewage works for a two-month period, as calculated by the Treasurer, with the advice of the District's Financial Advisor, shall be credited to and become a part of the Operation and Maintenance Fund ("O&M Fund") created hereby as of the date of the refunding of the Refunded Bonds. On the last day of each calendar month, revenues of the

sewage works shall be transferred from the Revenue Fund to the O&M Fund so that the balance maintained in this Fund shall be sufficient to pay the expenses of operation, repair and maintenance for the then next succeeding two calendar months. The moneys credited to this Fund shall be used for the payment of the reasonable and proper operation, repair and maintenance expenses of the sewage works on a day-to-day basis. Any monies in said Fund may be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding bonds of the sewage works.

Section 12. Sewage Works Sinking Fund. (a) There is hereby created a sinking fund for the payment of the principal of and interest on revenue bonds which by their terms are payable from the Net Revenues of the sewage works, and the payment of any fiscal agency charges in connection with the payment of bonds and interest, which fund shall be designated the Sewage Works Sinking Fund ("Sinking Fund"). There shall be set aside and deposited in the Sinking Fund, as available, and as provided below, a sufficient amount of the Net Revenues of the sewage works to meet the requirements of the Bond and Interest Account and of the Reserve Account hereby created in the Sinking Fund. Such payments shall continue until the balances in the Bond and Interest Account and the Reserve Account equal the principal of and interest on all of the then outstanding bonds of the sewage works to the final maturity thereof.

(b) Bond and Interest Account. There is hereby created, within the Sinking Fund, the Bond and Interest Account. Any moneys heretofore accumulated to pay principal and interest for the Refunded Bonds shall be used to refund the Refunded Bonds. There shall be credited on the last day of each calendar month from the Revenue Fund to the Bond and Interest Account an amount of the Net Revenues equal to at least one-sixth (1/6) of the principal of and at least one-sixth (1/6) of the interest on all then outstanding bonds payable on the then next succeeding

principal and interest payment date until the amount of principal and interest payable on the then next succeeding principal and interest payment date shall have been so credited. There shall similarly be credited to the Account any amount necessary to pay the bank fiscal agency charges for paying principal and interest on the bonds as the same become payable. The District shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owner or to the bank fiscal agency sufficient moneys to pay the interest and principal on the due dates thereof together with the amount of bank fiscal agency charges.

(c) Reserve Account. There is hereby created, within the Sinking Fund, the Reserve Account ("Reserve Account"). On the date of delivery of the Refunding Bonds, funds on hand of the sewage works, Refunding Bond proceeds or a combination thereof may be deposited into the Reserve Account. If no deposit is made or if the initial deposit does not cause the balance therein to equal the hereinafter defined Reserve Requirement, the District shall deposit Net Revenues into the Reserve Account on the last day of each calendar month until the balance in the Reserve Account equals but not exceed the least of: (i) maximum annual debt service on the Refunding Bonds; (ii) 125% of average annual debt service on the Refunding Bonds; or (iii) 10% of the proceeds of the Refunding Bonds ("Reserve Requirement"). The monthly deposits of Net Revenues shall be equal in amount and sufficient to accumulate the Reserve Requirement within five years of the date of delivery of the Refunding Bonds.

The Reserve Account shall constitute a margin for safety and a protection against default in the payment of principal of and interest on the outstanding Refunding Bonds and any additional parity bonds, and the moneys in the Reserve Account shall be used to pay current principal and interest on the outstanding Refunding Bonds and any additional parity bonds to the

extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiency in the balance maintained in the Reserve Account shall be promptly made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. Any moneys in the Reserve Account in excess of the Reserve Requirement shall either be transferred to the Sewage Works Improvement Fund or be used for the purchase of outstanding bonds or installments of principal of fully registered bonds.

Section 13. Improvement Fund. After meeting the requirements of the O&M Fund and the Sinking Fund, any excess revenues may be transferred or credited from the Revenue Fund to the Sewage Works Improvement Fund ("Improvement Fund"), hereby created and said Fund shall be used for improvements, replacements, additions and extensions of the sewage works. As of the date of the refunding of the Refunded Bonds, any other moneys of the sewage works not otherwise deposited pursuant to the terms of this ordinance shall be transferred to the Improvement Fund and used for capital improvements or for any other lawful purpose. Moneys in the Improvement Fund shall be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal and interest on the then outstanding bonds or, if necessary, to eliminate any deficiencies in credits to or minimum balance in the Reserve Account of the Sinking Fund, or may be transferred to the O&M Fund to meet unforeseen contingencies in the operation, repair and maintenance of the sewage works.

Section 14. Maintenance of Funds. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the District. The O&M Fund and the Improvement Fund may be maintained in a single account, or accounts, but such account, or accounts, shall likewise be maintained separate and apart from all other accounts of the District and apart from the Sinking Fund account or accounts. All moneys deposited in the

accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that moneys therein may be invested in obligations in accordance with the applicable laws, including particularly Indiana Code, Title 5, Article 13, as amended or supplemented, and in the event of such investment the income therefrom shall become a part of the funds invested and shall be used only as provided in this ordinance. Nothing in this section or elsewhere in this ordinance shall be construed to require that separate bank accounts be established and maintained for the Funds and Accounts created by this ordinance.

Section 15. Maintenance of Books and Records. The District shall keep proper books of records and accounts, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues received on account of the operation of the sewage works and all disbursements made therefrom and all transactions relating to said sewage works. Copies of all such statements and reports shall be kept on file in the office of the Secretary.

Section 16. Rate Covenant. The District covenants and agrees that it will establish and maintain just and equitable rates or charges for the use of and the service rendered by the sewage works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses the sewage works by or through any part of the sewage works of the District, or that in any way uses or is served by the sewage works, at a level adequate to produce and maintain sufficient revenue (including user and other charges, fees, income or revenues available to the District) to provide for the proper operation, repair and maintenance of the sewage works, to comply with and satisfy all covenants contained in this ordinance and to pay all obligations of the sewage works and of the District with respect to the sewage works. Such rates

and charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance of the sewage works and the requirements of the Sinking Fund and the Act. The rates and charges so established shall apply to any and all use of such works by and service rendered to the District, and shall be paid by the District as the charges accrue.

Section 17. Defeasance of the Refunding Bonds. If, when any of the Refunding Bonds or a portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Refunding Bonds or any portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Refunding Bonds or any portion thereof and coupons then outstanding shall be paid; or (i) sufficient moneys, or (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, the principal of and the interest on which when due will provide sufficient moneys, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Refunding Bonds issued hereunder or any designated portion thereof shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the District's sewage works.

Section 18. Additional Bond Provisions. The District reserves the right to authorize and issue additional parity bonds, payable out of the Net Revenues of its sewage works, ranking on a parity with the Refunding Bonds, for the purpose of financing the cost of future additions, extensions and improvements to the sewage works, or to refund obligations, subject to the following conditions:

(a) All required payments into the Sinking Fund shall have been made in accordance with the provisions of this ordinance, and the interest on and principal of all bonds payable from the Net Revenues of the sewage works shall have been paid in accordance with the terms thereof. The Reserve Requirement shall be satisfied for the additional parity bonds either at the time of delivery of the additional parity bonds or over a five year or shorter period, in a manner which is commensurate with the requirements established in Section 12(c) of this ordinance.

(b) The Net Revenues of the sewage works in the fiscal year immediately preceding the issuance of any such additional parity bonds shall be not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of the then outstanding bonds and the additional parity bonds proposed to be issued; or, prior to the issuance of the parity bonds, the sewage rates and charges shall be increased sufficiently so that said increased rates and charges applied to the previous year's operations would have produced Net Revenues for said period equal to not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of all then outstanding bonds and the additional parity bonds proposed to be issued.

For purposes of this subsection, the records of the sewage works shall be analyzed and all showings prepared by a certified public accountant or nationally recognized firm of professionals experienced in analyzing financial records of municipal utilities employed by the District for that purpose.

(c) The interest on the additional parity bonds shall be payable semiannually on April 1 and October 1 and the principal of, or mandatory sinking fund redemption dates for, the additional parity bonds shall be payable semiannually on April 1 and October 1.

Section 19. Further Covenants. For the purpose of further safeguarding the interests of the holders of the Refunding Bonds, it is specifically provided as follows:

(a) So long as any of the Refunding Bonds are outstanding, the District shall at all times maintain its sewage works in good condition and operate the same in an efficient manner and at a reasonable cost.

(b) So long as any of the Refunding Bonds herein authorized are outstanding, the District shall maintain insurance on the insurable parts of the works of a kind and in an amount such as is usually carried by private companies engaged in similar types of business, to protect the sewage works and its operations. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana. Insurance proceeds and condemnation awards shall either be used to replace or repair the sewage works or treated as Net Revenues of the sewage works.

(c) So long as any of the Refunding Bonds are outstanding, the District shall not mortgage, pledge or otherwise encumber the property and plant of its sewage works system, or any part thereof, and shall not sell, lease or otherwise dispose of any part of the same, excepting only such machinery, equipment or other property as may be replaced, or shall no longer be necessary for use in connection with said utility.

(d) Except as otherwise specifically provided in Section 18 of this ordinance, so long as any of the Refunding Bonds are outstanding, no additional bonds or other obligations pledging any portion of the revenues of the system shall be authorized, issued or executed by the District, except such as shall be made junior and subordinate in all respects to the Refunding Bonds, unless all of the Refunding Bonds are redeemed or defeased coincidentally with the delivery of such additional bonds or other obligations.

(e) The District shall take all actions or proceedings necessary and proper, to the extent permitted by law, to require connection of all property where liquid and solid waste, sewage, night soil or industrial waste is produced with available sanitary sewers. The District shall, insofar as possible, and to the extent permitted by law, cause all such sanitary sewers to be connected with said sewage works.

(f) The provisions of this ordinance shall constitute a contract by and between the District and the owners of the Refunding Bonds herein authorized, all the terms of which shall be enforceable by any bondholder by any and all appropriate proceedings in law or in equity. After the issuance of the Refunding Bonds, this ordinance shall not be repealed, amended or modified in any respect which will adversely affect the rights or interests of the owners of the Refunding Bonds, nor shall the Board of Directors or any other body of the District adopt any law, ordinance or resolution in any way adversely affecting the rights of such owners so long as any of the Refunding Bonds, or the interest thereon, remain outstanding or unpaid. Except in the case of changes described in Section 22(a)-(g), this ordinance may be amended, however, without the consent of the owners of the Refunding Bonds, if the Board of Directors determines, in its sole discretion, that such amendment would not adversely affect the owners of the Refunding Bonds.

(g) The provisions of this ordinance shall be construed to create a trust in the proceeds of the sale of the Refunding Bonds herein authorized for the uses and purposes herein set forth, and the owners of the Refunding Bonds shall retain a lien on such proceeds until the same are applied in accordance with the provisions of this ordinance and said governing Act. The provisions of this ordinance shall also be construed to create a trust in the Net Revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of that

Fund as in this ordinance set forth. The owners of the Refunding Bonds shall have all the rights, remedies and privileges set forth in the provisions of the governing Act, including the right to have a receiver appointed to administer the sewage works in the event the District shall fail or refuse to fix and collect sufficient rates and charges for those purposes, or shall fail or refuse to operate and maintain said system and to apply properly the revenues derived from the operation thereof, or if there be a default in the payment of the interest on or principal of the Refunding Bonds.

Section 20. Investment of Funds. (a) The Treasurer is hereby authorized to invest moneys pursuant to IC 5-1-14-3 and the provisions of this ordinance (subject to applicable requirements of federal law to insure such yield is the then current market rate) to the extent necessary or advisable to preserve the exclusion from gross income of interest on the Refunding Bonds under federal law.

(b) The Treasurer shall keep full and accurate records of investment earnings and income from moneys held in the funds and accounts created or referenced herein. To comply with the provisions of the ordinance, the Treasurer is hereby authorized and directed to employ competent consultants or attorneys from time to time to advise the District as to requirements of federal law to preserve the tax exclusion. The Treasurer may pay any fees as operation expenses of the sewage works.

Section 21. Tax Covenants. To preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as existing on the date of issuance of the Bonds ("Code") and as an inducement to purchasers of the Bonds, the District represents, covenants and agrees that:

(a) Since the date of issuance of the Refunded Bonds and until the earlier of the last date of the reasonably expected economic life of the project constructed with funds from the Refunded Bonds or the latest maturity date of the Refunding Bonds ("Combined Measurement Period"), the sewage works will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. During the Combined Measurement Period, no person or entity other than the District or another state or local governmental unit will use more than 10% of the proceeds of the Refunding Bonds or property financed by the Refunded Bond proceeds other than as a member of the general public. During the Combined Measurement Period, no person or entity other than the District or another state or local governmental unit will own property financed by Refunded Bond proceeds or will have any actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, arrangements such as take-or-pay or output contracts or any other type of arrangement that conveys other special legal entitlements and differentiates that person's or entity's use of such property from use by the general public, unless such uses in the aggregate relate to no more than 10% of the proceeds of the Refunding Bonds. If the District enters into a management contract for the sewage works, the terms of the contract will comply with IRS Revenue Procedure 97-13, as it may be amended, supplemented or superseded for time to time, so that the contract will not give rise to private business use under the Code and the Regulations, unless such use in aggregate relates to no more than 10% of the proceeds of the Refunding Bonds.

(b) During the Combined Measurement Period, no more than 10% of the principal of or interest on the Refunding Bonds is (under the terms of the Refunding Bonds, this ordinance or any underlying arrangement), directly or indirectly, secured by an interest in property used or to

be used for any private business use or payments in respect of any private business use or payments in respect of such property or to be derived from payments (whether or not to the District) in respect of such property or borrowed money used or to be used for a private business use.

(c) No more than 5% of the Refunding Bond proceeds will be loaned to any person or entity other than another state or local governmental unit. No more than 5% of the Refunding Bond proceeds will be transferred, directly or indirectly, or deemed transferred to a nongovernmental person in any manner that would in substance constitute a loan of the Refunding Bond proceeds.

(d) The District reasonably expects, as of the date hereof, that the Refunding Bonds will not meet either the private business use test described in paragraph (a) and (b) above or the private loan test described in paragraph (c) above for the Combined Measurement Period.

(e) During the Combined Measurement Period, no more than 5% of the proceeds of the Refunding Bonds will be attributable to private business use as described in (a) and private security or payments described in (b) attributable to unrelated or disproportionate private business use. For this purpose, the private business use test is applied by taking into account only use that is not related to any government use of proceeds of the issue (Unrelated Use) and use that is related but disproportionate to any governmental use of those proceeds (Disproportionate Use).

(f) The District will not take any action nor fail to take any action with respect to the Refunding Bonds that would result in the loss of the exclusion from gross income for federal tax purposes on the Refunding Bonds pursuant to Section 103 of the Code, nor will the District act in any other manner which would adversely affect such exclusion. The District covenants and

agrees not to enter into any contracts or arrangements which would cause the Refunding Bonds to be treated as private activity bonds under Section 141 of the Code.

(g) It shall be not an event of default under this ordinance if the interest on any Refunding Bond is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of issuance of the Refunding Bonds.

(h) The District represents that it will rebate any arbitrage profits to the United States in accordance with the Code.

(i) The District represents that:

- (i) The Refunding Bonds are not private activity bonds as defined in Section 141 of the Code;
- (ii) The District hereby designates the Refunding Bonds, to the extent such Refunding Bonds are not deemed designated, as qualified tax-exempt obligations for purposes of Section 265(b) of the Code;
- (iii) The reasonably anticipated amount of qualified tax-exempt obligations (including qualified 501(c)(3) obligations and tax-exempt leases but excluding other private activity bonds) which will be issued by the District, and all entities subordinate to the District during 2016 does not exceed \$10,000,000; and
- (iv) The District will not designate more than \$10,000,000 of qualified tax-exempt obligations during 2016.

Therefore, the Refunding Bonds qualify for the exception in the Code from the disallowance of 100% of the deduction by financial institutions of interest expense allocable to newly acquired tax-exempt obligations.

(j) These covenants are based solely on current law in effect and in existence on the date of delivery of the Bonds.

Section 22. Amendments with Consent of Refunding Bondholders. Subject to the terms and provisions contained in this Section and Section 19(f), the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Refunding Bonds issued pursuant to this ordinance and then outstanding shall have the right, from time to time, to consent to and approve the adoption by the District of such ordinance or ordinances supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in this ordinance, or in any supplemental ordinance; provided, however, that nothing herein contained shall permit or be construed as permitting:

(a) An extension of the maturity of the principal of or interest on any Refunding Bond issued pursuant to this ordinance; or

(b) A reduction in the principal amount of any Refunding Bond or the redemption premium or the rate of interest thereon; or

(c) The creation of a lien upon or a pledge of the revenues of the sewage works ranking prior to the pledge thereof created by this ordinance; or

(d) A preference or priority of any Refunding Bond or Refunding Bonds issued pursuant to this ordinance over any other Refunding Bond or Refunding Bonds issued pursuant to the provisions of this ordinance; or

(e) A reduction in the aggregate principal amount of the Refunding Bonds required for consent to such supplemental ordinance; or

(f) A reduction in the Reserve Requirement; or

(g) The extension of mandatory sinking fund redemption dates, if any.

If the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Refunding Bonds outstanding at the time of adoption of such supplemental ordinance shall have consented to and approved the adoption thereof by written instrument to be maintained on file in the office of the Secretary of the District, no owner of any Refunding Bond issued pursuant to this ordinance shall have any right to object to the adoption of such supplemental ordinance or 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 adoption thereof, or to enjoin or restrain the District or its officers from adopting the same, or from taking any action pursuant to the provisions thereof. Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be, and shall be deemed, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the District and all owners of Refunding Bonds issued pursuant to the provisions of this ordinance then outstanding, shall thereafter be determined exercised and enforced in accordance with this ordinance, subject in all respects to such modifications and amendments. Notwithstanding anything contained in the foregoing provisions of this ordinance, the rights and obligations of the District and of the owners of the Refunding Bonds authorized by this ordinance, and the terms and provisions of the Refunding Bonds and this ordinance, or any supplemental ordinance, may be modified or altered in any respect with the consent of the

District and the consent of the owners of all the Refunding Bonds issued pursuant to this ordinance then outstanding.

Section 23. Tax Exemption. Notwithstanding any other provisions of this ordinance, the covenants and authorizations contained in this ordinance ("Tax Sections") which are designed to preserve the exclusion of interest on the Refunding Bonds from gross income under federal law ("Tax Exemption") need not be complied with if the District receives an opinion of nationally recognized bond counsel that any Tax Section or portion thereof is unnecessary to preserve the Tax Exemption.

Section 24. Conflicting Ordinances. All ordinances and parts of ordinances in conflict herewith are hereby repealed; provided, however, that this ordinance shall not be construed as adversely affecting the rights of the holders of the Refunded Bonds.

Section 25. Effective Date. This ordinance shall be in full force and effect from and after its passage.

Passed and adopted by the Board of Directors of the Blue Lake Conservancy District on
the _____ day of _____, 2016.

BLUE LAKE CONSERVANCY DISTRICT
BOARD OF DIRECTORS

Attest:

Secretary

Passed and adopted by the Board of Directors of the Blue Lake Conservancy District on
the _____ day of _____, 2016.

BLUE LAKE CONSERVANCY DISTRICT
BOARD OF DIRECTORS

Richard W. Bernal

Richard Hamilton

Jana Berg

James [unclear]

Attest:

Judy R. [unclear]
Secretary