

PUEBLO CONSERVANCY DISTRICT
CONSERVANCY MAINTENANCE FUND BONDS
2014 SERIES A
\$2,500,000.00

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BOARD OF DIRECTORS
PUEBLO CONSERVANCY DISTRICT

RESOLUTION

WHEREAS, the Pueblo Conservancy District, Pueblo County, Colorado (the "District"), is a statutory entity duly organized and existing as a conservancy district under the constitution and laws of the State of Colorado, including particularly Title 37 of the Colorado Revised Statutes; and

WHEREAS, the members of the Board of Directors (the Board) have been duly elected or appointed and qualified; and

WHEREAS, the District has heretofore determined and undertaken to acquire and develop and maintain certain properties and facilities for the levee (the "Levee"); and

WHEREAS, the District is authorized by Sec. 37-5-108, C.R.S., to issue Maintenance Fund negotiable evidence of debt, referenced generally in said statute as "warrants" but referenced herein as bonds, authorized by action of the Board of Directors (the "Board") without the approval of the electors of the District, such bonds to be issued in the manner provided in 37-5-107 and 37-5-108, C.R.S.; and

WHEREAS, the Board has determined and hereby determines that it is in the best interests of the District, and the residents and taxpayers thereof, that certain maintenance and improvements be made to the Levee and that for such purpose there shall be issued Conservancy Maintenance Fund bonds in the total principal amount of \$2,500,000.00 (the "Bonds"); and

WHEREAS, the Board has been presented with a proposal in the form of a Bond Purchase Agreement from American Bank of Commerce, ("Purchaser"), to purchase the Bonds upon the terms and conditions set forth in the Bond Purchase Agreement; and

WHEREAS, after consideration, the Board has determined that the sale of the Bonds to the Purchaser upon the terms and conditions set forth in the Bond Purchase Agreement is in the best interests of the District and the residents thereof; and

WHEREAS, no member of the Board has any potential conflicting interests in connection with the issuance or sale of the Bonds, or the use of the proceeds thereof, within the meaning of Sec. 18-8-308, C.R.S.; and

WHEREAS, the Board desires to authorize the issuance and sale of the Bonds and the execution of the foregoing documents;

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF PUEBLO CONSERVANCY DISTRICT:

Section 1. Definitions. As used herein, the following capitalized terms shall have the respective meanings set forth below, unless the context indicates otherwise.

Board: The Board of Directors of the District.

Bond or Bonds: The Conservancy Maintenance Fund Bonds, 2014 Series A, dated December 22, 2014 issued in the aggregate principal amount of \$2,500,000.00, as authorized by this Resolution.

Bond Purchase Agreement: The Agreement between the District and the Purchaser concerning the purchase of the Bonds by the Purchaser.

Bond Registrar: American Bank of Commerce, in Pueblo, Colorado, or its successor, which shall perform the function of registrar with respect to the Bonds.

Capital Improvements: Maintenance and repairs for the Levee through the City of Pueblo which is owned and maintained by the Pueblo Conservancy District.

Code: The Internal Revenue Code of 1986, as amended.

C.R.S.: The Colorado Revised Statutes, as amended and supplemented as of the date hereof.

District: Pueblo Conservancy District, Pueblo County, Colorado.

Event of Default: Any one or more of the events set forth in the Section hereof entitled "Events of Default"

Fiscal Year: The twelve (12) months commencing January 1 of any year and ending December 31 of said year.

Maintenance Fund Assessment: Maintenance Fund Assessment as defined in C.R.S. 37-5-107 and C.R.S. 37-5-108.

Official Statement: The Final version of the Official Statement.

Owner: The registered owner of any Bond, as shown by the registration books maintained by the Bond Registrar.

Paying Agent: American Bank of Commerce, in Pueblo, Colorado, or its successor, which shall perform the function of paying agent with respect to the Bonds.

Paying Agent and Registrar Agreement: The agreement between the District and the Paying Agent/Bond Registrar, concerning the registration, transfer, exchange, and payment of the Bonds.

Record Date: The Twenty-second (22nd) day of the calendar month next preceding each interest payment date.

Resolution: This Resolution which authorizes the issuance of the Bonds.

Special Record Date: The record date for determining Bond ownership for purposes of paying defaulted interest, as such date may be determined pursuant to this Resolution.

System: All of the facilities and properties, now owned or hereafter acquired, whether situated within or without the District boundaries, including all present or future improvements, extensions, enlargements, betterments, replacements, or additions thereof or thereto, held or owned by the District for the purpose of maintaining the Levee through the City of Pueblo, which Levee is owned and maintained by the District.

Section 2. Authorization. In accordance with the Constitution of the State of Colorado; Title 37, Articles 1 through 8, C.R.S.; all other laws of the State of Colorado thereunto enabling, there shall be issued the Bonds for the purpose of maintaining the Levee through the City of Pueblo, which Levee is owned and maintained by the District.

Section 3. Special Obligations: The Bonds, together with the interest thereon, shall be payable from the Maintenance Fund Assessment. The Bonds shall constitute an irrevocable lien upon the Maintenance Fund Assessment, but not necessarily an exclusive such lien, and the Maintenance Fund Assessment is hereby pledged to the payment of the Bonds. The Owners may not look to any general or other fund of the District for the payment of the principal of and interest on the Bonds, and the Bonds shall not constitute a debt or any indebtedness of the District within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the District.

Section 4. Bond Details: The Bonds shall be issued only as a fully registered Bond in the denomination of \$2,500,000. Unless the District shall otherwise

direct, the registered Bond shall be numbered 1, with the number of the Bond preceded by "A".

The Bond shall be dated as of December 22, 2014, and shall bear interest at the rates set forth below, calculated on the basis of a 360-day year of twelve 30-day months, payable annually on each December 22, commencing on December 22, 2014, and payments shall be due December 22 of each year as follows:

<u>Payment Due</u>	<u>Principal and Interest Amount</u>	<u>Interest Rate</u>
2015	500,000	2.55%
2016	500,000	2.55%
2017	500,000	2.55%
2018	500,000	2.55%
2019*	500,000	2.55%

*Together with such additional amount as is necessary to pay accrued interest and outstanding principal in full.

It has been agreed between the District and the Purchaser, American Bank of Commerce, that the District may request the funds represented by the Bond in increments as the same are needed by the District for the purposes of the Bond. Interest will only accrue based upon the amount advanced and outstanding. The District will take its first payment from the Bond prior to December 31, 2014 and will request the entire amount of the Bond and expend the entire proceeds of the Bond on the purposes of the Bond no later than two (2) years from the first advance. Bond proceeds will be used for the stated purposes of the Bond and for no other purpose.

Section 5. Payment of Bonds; Paying Agent and Bond Registrar.

The principal of the Bond is payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the principal office of the Paying Agent. The interest on any Bond is payable to the person in whose name such registration books maintained by or on behalf of the District by the Bond Registrar, at the close of business on the Record Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Bond Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners of the Bonds not less than ten (10) days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Bond Registrar on a date selected by the Bond Registrar. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such

defaulted interest.

Interest payments shall be paid by check or draft of the Paying Agent mailed on or before the interest payment date to the Owners. The Paying Agent may make payments of interest on any bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent; provided that the District shall not be required to make funds available to the Paying Agent prior to the dates on which such interest would otherwise be payable hereunder, not to incur any expenses in connection with such alternative means of payment.

The principal of and interest on the Bond shall be paid in accordance with the terms of the Paying Agent and Registrar Agreement.

Section 6. Prior Redemption: Two Million Five Hundred Thousand Dollars (\$2,500,000.00) of the bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on December 22, 2015, and on any date thereafter, upon payment of par and accrued interest.

In the event the Bond is called for redemption or partial redemption as aforesaid, notice thereof will be given to the Owner of the Bond at least ten (10) days prior to the date fixed for redemption or partial redemption. The Bond will cease to bear interest after the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time.

Section 7. Form and Execution of Bonds: The Bonds shall be signed with the facsimile or manual signature of the President of the District, sealed with a facsimile or manual impression of the seal of the District, and attested by the facsimile or manual signature of the Secretary of the District. Should any officer whose facsimile or manual signature appears on the Bonds cease to be such officer before delivery of the Bonds to a purchaser, such facsimile or manual signature shall nevertheless be valid and sufficient for all purposes.

The Bonds shall be in substantially the following form:

[Form of Bond]

No. A-_____

\$2,500,000.00

[Front of Bond]

**UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTY OF PUEBLO**

PUEBLO CONSERVANCY DISTRICT

CONSERVANCY BOND, 2014 SERIES A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>
<u>2.55%</u>	_____	December 22, 2014

REGISTERED OWNER:

PRINCIPAL AMOUNT: TWO MILLION FIVE HUNDRED THOUSAND DOLLARS

Pueblo Conservancy District, in the County of Pueblo, and State of Colorado, a conservancy district duly organized and operating under the constitution and laws of the State of Colorado, for value received, hereby promises to pay, out of the special accounts hereinafter designated but not otherwise, to the registered owner named above, or registered assigns, on the maturity date specified above or on the date of prior redemption, the principal amount specified above. In like manner the District promises to pay interest on such principal amount (computed on the basis of a 360-day year of twelve 30-day months) from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated prior to May 15, 2015, in which event this Bond shall bear interest from December 22, 2014 at the interest rate per annum specified above, payable annually December 22 each year, commencing on December 22, 2015, until the principal amount is paid at maturity or upon prior redemption. The principal of this Bond is payable in lawful money of the United States of America to the registered owner hereof upon maturity or prior redemption and presentation at the principal office of American Bank of Commerce, in Pueblo, Colorado, or its successor, as Paying Agent.

Payment of each installment of interest shall be made to the registered owner hereof whose name shall appear on the registration books of the District maintained by or on behalf of the District by American Bank of Commerce, in Pueblo, Colorado, or its successor, as Bond Registrar, at the close of business on the twenty

second (22) day of the calendar month next preceding each interest payment date (the "Record Date"), and shall be paid by check or draft of the Paying Agent mailed on or before the interest payment date to such registered owner at his address as it appear on such registration books. The Paying Agent may make payments of interest on any bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Paying Agent as provided in the resolution authorizing the issuance of this Bond (the "Bond Resolution"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof at the close of business on the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on Special Record Date (the "Special Record Date") established for the payment of any defaulted interest. Notice of the Special Record Date and the date fixed for the payment of defaulted interest shall be given by first-class mail to the registered owner hereof as shown on the registration books on a date selected by the Bond Registrar.

If the date for making any payment or performing any action shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

REFERENCE IS HEREBY MADE TO ADDITIONAL PROVISIONS OF THIS BOND ATTACHED HERETO, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF FULLY SET FORTH IN THIS PLACE.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the authorizing Bond Resolution until the certificate of authentication hereon shall have been signed by the Bond Registrar.

IN TESTIMONY WHEREOF, the Board of Directors of Pueblo Conservancy District has caused this Bond to be signed by the signature of the President of the District, sealed with the seal of the District, and attested by the signature of the Secretary thereof, all as of the day of December, 2014.

**PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO**

By: 

Paul J. Willumstad, President

ATTESTED:

second (22) day of the calendar month next preceding each interest payment date (the "Record Date"), and shall be paid by check or draft of the Paying Agent mailed on or before the interest payment date to such registered owner at his address as it appear on such registration books. The Paying Agent may make payments of interest on any bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Paying Agent as provided in the resolution authorizing the issuance of this Bond (the "Bond Resolution"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof at the close of business on the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on Special Record Date (the "Special Record Date") established for the payment of any defaulted interest. Notice of the Special Record Date and the date fixed for the payment of defaulted interest shall be given by first-class mail to the registered owner hereof as shown on the registration books on a date selected by the Bond Registrar.

If the date for making any payment or performing any action shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

REFERENCE IS HEREBY MADE TO ADDITIONAL PROVISIONS OF THIS BOND ATTACHED HERETO, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF FULLY SET FORTH IN THIS PLACE.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the authorizing Bond Resolution until the certificate of authentication hereon shall have been signed by the Bond Registrar.

IN TESTIMONY WHEREOF, the Board of Directors of Pueblo Conservancy District has caused this Bond to be signed by the signature of the President of the District, sealed with the seal of the District, and attested by the signature of the Secretary thereof, all as of the day of December, 2014.

**PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO**

By: _____
Paul J. Willumstad, President

ATTESTED:

By _____
Donna F. Phillips, Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is the Bond of the issue described in the within mentioned Bond Resolution.

Date of Registration
and Authentication:

AMERICAN BANK OF COMMERCE
Pueblo, Colorado
as Bond Registrar

By: _____

Authorized Signature

ADDITIONAL PROVISIONS

This Bond in the amount Two Million Five Hundred Thousand Dollars (2,500,000.00) par value issued by the Board of Directors of Pueblo Conservancy District, in the County of Pueblo and State of Colorado, for the purpose of improvements and repairs to the Levee through the City of Pueblo, which Levee is owned and maintained by the Pueblo Conservancy District, by virtue of and in full conformity with the Constitution of the State of Colorado; title 37, Articles 1 through 8, C.R.S.; and all other laws of the State of Colorado thereunto enabling, and pursuant to the duly adopted Bond Resolution. It is hereby recited, certified, and warranted that all of the requirements of law have been fully complied with by the proper officers in issuing this Bond.

The principal of and interest on this Bond are payable only out of the proceeds of the Maintenance Fund Assessment, which assessment is provided for in C.R.S. 37-5-107. The bonds of this issue constitute an irrevocable lien upon the proceeds of the Maintenance Fund Assessment, but not necessarily an exclusive such lien.

It is hereby recited, certified, and warranted that for the payment of this Bond, the District will out of the Maintenance Fund Assessment, as an irrevocable charge thereon, pay the principal and interest on this Bond in the manner provided by the Bond Resolution.

THIS BOND DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, AND SHALL NOT BE CONSIDERED OR HELD TO BE A GENERAL OBLIGATION OF THE DISTRICT.

Reference is hereby made to the Bond Resolution for an additional description of the nature and extent of the security for the Bonds, the fund and revenues pledged to the payment thereof, the rights and remedies of the registered owners of the Bonds, the manner in which the Bond Resolution may be amended, and the other terms and conditions upon which the Bonds are issued, copies of which are on file for public inspection at the office of the District Secretary.

The bonds of this issue are subject to redemption prior to maturity, at the option of the District, as a whole or in part, upon payment of par and accrued interest.

Notice of prior redemption shall be given by mailing a copy of the redemption notice, not less than ten (10) days prior to the date fixed for redemption, to the registered owner of the Bond at the address shown on the registration books maintained by the Bond Registrar, in the manner set forth in the Bond Resolution. All Bonds called for redemption will cease to bear interest after the specified redemption

date, provided funds for their redemption are on deposit at the place of payment at that time.

The District and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing interest payment date, or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

The District, the Paying Agent, and the Bond Registrar may deem and treat the registered owner of this Bond as the absolute owner hereof for all purposes (whether or not this bond shall be overdue), and any notice to the contrary shall not be binding upon the District, the Paying Agent, or the Bond Registrar.

This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal office of the Bond Registrar, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Bond Resolution and upon surrender and cancellation of this Bond. This Bond may be transferred upon the registration books upon delivery to the Bond Registrar of this Bond, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the owner of this Bond or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of the Bond, along with the social security number or federal employer identification number of such transferee. In the event of the transfer of this Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the owner of this Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

SOCIAL SECURITY OR FEDERAL EMPLOYER
IDENTIFICATION NUMBER OF ASSIGNEE

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____;
attorney, to transfer said Bond on the books kept for registration thereof with full power of
substitution in the premises.

Dated:

Signature of Registered Owner:_____

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

Signature guaranteed:_____

(Bank, Trust Company, or Firm)

Section 8. Authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond substantially in the form hereinabove set forth shall have been duly executed by the Bond Registrar, and such executed certificate of the Bond Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereunder.

Section 9. Delivery of Bonds. Upon the adoption of this Resolution, the District shall execute the Bonds and deliver them to the Bond Registrar, and the Bond Registrar shall authenticate the Bonds and deliver them to the purchaser thereof, as directed by the District, and in accordance with the Bond Purchase Agreement.

Section 10. Registration, Exchange, and Transfer of Bonds; Persons Treated as Owners. The Bond Registrar shall maintain the books of the District for the registration of ownership of each Bond as provided in this Resolution. Bonds may be transferred upon the registration books upon delivery of the Bonds to the Bond Registrar, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the Owner of the bonds to be transferred or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such Bonds, along with the social security number or federal employer identification number of such transferee. No transfer of any Bond shall be effective until entered on the registration books.

In all cases of the transfer of a Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the owner of this Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The District and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing interest payment date, or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any

Bonds selected or called for redemption, in whole or in part.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the District, evidencing the same obligation as the Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The District, the Paying Agent, and the Bond Registrar may deem and treat the registered Owner of any Bond as the absolute owner thereof for all purposes (whether or not such Bond shall be overdue), and any notice to the contrary shall not be binding upon the District, the Paying Agent, or the Bond Registrar.

Section 11. Cancellation of Bonds. Whenever any Bond shall be delivered to the Bond Registrar for cancellation pursuant to this Resolution and upon payment of the principal amount and interest represented thereby, or whenever any Bond shall be delivered to the Bond Registrar for transfer or exchange pursuant to the provisions hereof, such Bond shall be canceled by the Bond Registrar and counterparts of a certificate of cancellation evidencing such cancellation shall be furnished by the Bond Registrar to the District.

Section 12. Lost Bonds. Any Bond that is lost, stolen, destroyed, or mutilated may be replaced or paid by the Bond Registrar in accordance with the subject to the limitations of applicable law. The applicant for any such replacement Bond shall post such security, pay such costs, and present such proof of ownership and loss as may be required by applicable law, or in the absence of specific requirements, as may be required by the Bond Registrar.

Section 13. Tax Exempt Obligations. The District hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code.

Section 14. Maintenance Fund Assessment. The District hereby covenants that it will establish, maintain, enforce, and collect when due the Maintenance Fund assessments in order to pay the principal of and interest on the Bonds. The Maintenance Fund Assessment as has been authorized by the District Court of the Tenth Judicial District shall pay for the operation and maintenance expenses of the System and pay, when due, the principal and interest on the Bond.

Section 15. Additional Covenants and Agreements. The District hereby further irrevocably covenants and agrees with each and every Owner that so long as any of the Bonds remain outstanding:

- (a) The District will continue to operate and manage the System in an

efficient and economical manner.

(b) The District will not sell or alienate any of the property constituting any part or all of the System in any manner or to any extent as might reduce the security provided for the payment of the Bonds, but the District may sell any portion of such property which shall have been replaced by other similar property of at least equal value, or which shall cease to be necessary for the efficient operation of the System.

(c) At least once a year in the time and manner provided by law, the District will cause an audit to be performed of the records relating to the revenues and expenditures of the System. Such audit may be made part of and included within the general audit of the District, and made at the same time as the general audit. In addition, at least once a year in the time and manner provided by law, the District will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner provided by law.

(d) The District will carry public liability, and such other forms of insurance on insurable System property as would ordinarily be carried by conservancy districts having similar properties of equal value, such insurance being in such amount as will protect the System and its operation.

(e) The District has no other indebtedness outstanding and has not obligated itself to any loan nor has it issued any other bond, warrant or other evidence of indebtedness.

(f) The District will make no other pledge of the Maintenance Fund Assessment until the Bond is paid in full, unless it receives the prior, written, consent of the owner of the Bond.

(g) In the event the Bond is determined to not be a tax exempt bond the District agrees that interest on the Bond shall accrue and be paid at the rate of three and eight tenths percent (3.8%), per annum.

Section 16. Events of Default. The occurrence or existence of any one or more of the following events shall be an Event of Default hereunder:

(a) payment of the principal on any Bond is not made by the District when due;

(b) payment of any interest on any Bond is not made by the District when due;

(c) the District defaults in the performance of any other of its covenants in

this Resolution, and such default continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied is given to the District by the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding; or

(d) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the Bonds.

Section 17. Remedies For Events of Default. Upon the occurrence and continuance of an Event of Default, the Owner of the Bond, or a trustee therefore, may protect and enforce the rights of any Owner by proper legal or equitable remedy deemed most effectual including mandamus, specific performance of any covenants, injunctive relief, or requiring the Board to act as if it were the trustee of an express trust, or any combination of such remedies. The failure of any Owner to proceed does not relieve the District or any person of any liability for failure to perform any duty hereunder. The foregoing rights are in addition to any other right, and the exercise of any right by any Owner shall not be deemed a waiver of any other right. Any costs, including attorney fees, incurred by the Owner of the Bond in pursuing payment of the Bond, in the event of the default by the District in any payment on the Bond, may be recovered from the District along with any amount due and owing upon the Bond.

Section 18. Permitted Amendments to Bond Resolution. The District may, without the consent of or notice to the Owners, adopt amendments or supplements to this Resolution, which amendments or supplements shall thereafter form a part hereof, for any one or more of the following purposes:

(a) to cure any ambiguity, to cure, correct, or supplement any formal defect or omission or inconsistent provision contained in this Resolution, to make any provisions necessary or desirable due to a change in law, to make any provisions with respect to matters arising under this Resolution, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not materially adversely affect the interests of the Owners of the Bonds;

(b) to subject to this Resolution or pledge to the payment of the Bonds additional revenues, properties, or collateral; and

(c) to grant or confer upon the Owners any additional rights, remedies, powers, or authority that may be lawfully granted to or conferred upon the Owners.

Section 19. Amendments Requiring Consent of Owners. Except for amendatory or supplemental resolutions adopted pursuant to the Section hereof entitled "Permitted Amendments to Bond Resolution", the Owner of the Bonds then outstanding

shall have the right, from time to time, to consent to and approve the adoption by the District of such resolution amendatory or supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided however, that without the consent of the Owner of the Bonds affected thereby, nothing herein contained shall permit, or be construed as permitting:

(a) a change in the terms of the maturity of any Bond, in the principal amount of any Bond or the rate of interest thereon, or in the terms of prior redemption of any Bond;

(b) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of, premium if any, or interest on the Bonds when due;

(c) a privilege or priority of any Bond or any premium or interest payment over any other Bond or premium or interest payment; or

(d) a reduction in the percentage in principal amount of the Bonds the consent of whose Owners is required for any such amendatory or supplemental resolution.

If at any time the District shall desire to adopt an amendatory or supplemental resolution for any of the purposes of this Section, the District shall cause notice of the proposed adoption of such amendatory or supplemental resolution to be given by mailing such notice by certified or registered first-class mail to each Owner of a Bond to the address shown on the registration books of the Bond Registrar, at least thirty (30) days prior to the proposed date of adoption of any such amendatory or supplemental resolution. Such notice shall briefly set forth the nature of the proposed amendatory or supplemental resolution and shall state that copies thereof are on file at the offices of the District or some other suitable location for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by the District following the giving of such notice, the Owner of the Bonds then outstanding at the time of the execution of any such amendatory or supplemental resolution shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the adoption and effectiveness thereof, or to enjoin or

restrain the District from adopting the same or from taking any action pursuant to the provisions thereof.

Section 20. Effect of Amendment. Upon the execution of any amendatory or supplemental resolution pursuant to this Resolution, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective

rights, duties, and obligations under this Resolution of the District, the Bond Registrar, the Paying Agent, and the Owner of the Bonds, then outstanding shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such modifications and amendments.

Section 21. Authorization to Execute Documents. The President and Secretary of the District shall, and they are hereby authorized and directed to take all actions necessary or appropriate to effectuate the provisions of this Resolution, including, but not limited to, the execution of the Paying Agent and Registrar Agreement and such affidavits as may be reasonably required. The execution by the President of the District of any document authorized herein shall be conclusive proof of the approval by the District of the terms thereof.

Section 22. Declaration and Findings. Having been fully informed of and having considered all the pertinent facts and circumstances, the Board does hereby find, determine, and declare:

(a) The issuance of the Bonds, and all procedures undertaken incident thereto, are in full compliance and conformity with all applicable requirements, provisions, and limitations prescribed by the constitution and laws of the State of Colorado thereunto enabling.

Section 23. Costs and Expenses. All costs and expenses incurred in connection with the issuance and payment of the Bonds shall be paid either from the proceeds of the Bonds or from legally available moneys of the District, or from a combination thereof, and such moneys are hereby appropriated for that purpose.

Section 24. Acceptance of Bond Purchase Agreement. The Board does hereby reaffirm its determination to accept the Bond Purchase Agreement as submitted by the Purchaser and to sell the Bonds to the Purchaser upon the terms, conditions, and provisions as set forth in the Bond Purchase Agreement. The President of the District is hereby authorized to execute the Bond Purchase Agreement and the Secretary is hereby authorized to attest to such execution, all on behalf of the District.

Section 25. Official Statement. The distribution and use of the Preliminary Official Statement is hereby ratified, authorized and approved. The Board hereby authorizes the preparation and distribution of a final Official Statement. The final Official Statement shall contain such corrections and additional or updated information so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The President of the District is hereby authorized to execute copies of the final Official Statement on behalf of the District.

Section 26. Holidays. If the date for making any payment or performing any action hereunder shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

Section 27. Ratification and Approval of Prior Actions. All actions heretofore taken by the officers of the District and the members of the Board, not inconsistent with the provisions of this Resolution, relating to the authorization, sale issuance, and delivery of the Bonds, are hereby ratified, approved, and confirmed.

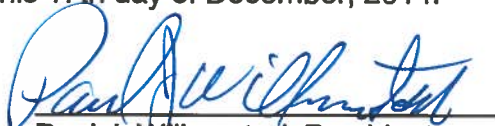
Section 28. Resolution Irrepealable. After any of the Bonds have been issued, this Resolution shall constitute a contract between the Owners and the District, and shall be and remain irrepealable until the Bonds and the interest accruing thereon shall have been fully paid, satisfied, and discharged, as herein provided.

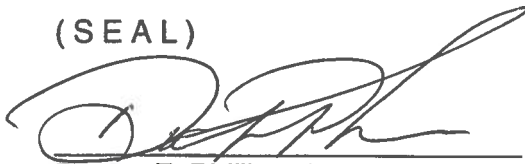
Section 29. Repealer. All orders, bylaws, and resolutions of the District, or parts thereof, inconsistent or in conflict with this Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

Section 30. Severability. If any section, paragraph, clause, or provisions of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution, the intent being that the same are severable.

Section 31. Effective Date. This Resolution shall take effect immediately upon its adoption and approval.

ADOPTED AND APPROVED This 17th day of December, 2014.


Paul J. Willumstad, President

(SEAL)

Donna F. Phillips, Secretary

Section 26. Holidays. If the date for making any payment or performing any action hereunder shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

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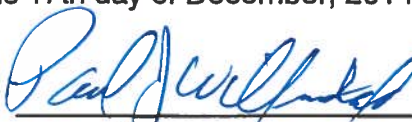
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Section 31. Effective Date. This Resolution shall take effect immediately upon its adoption and approval.

ADOPTED AND APPROVED This 17th day of December, 2014.


Paul J. Willumstad, President

(SEAL)


Donna F. Phillips, Secretary

The motion to adopt the foregoing Resolution was duly made by Director Alt, seconded by Director Bernard, put to a vote, and carried on the following recorded vote:

Those voting AYE:

ALT
BERNARD
CORDOVA
MARONEY
O'HARA
PHILLIPS
SERNA
WILLUMSTAD

Abstained

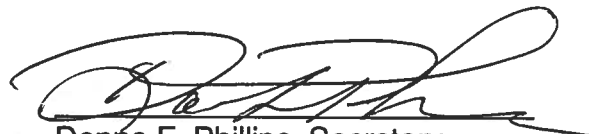
KOEHLER

Those voting NAY:

None

Thereupon the President, as Chairman of the meeting, declared the Resolution duly adopted and the Secretary was directed to enter the foregoing proceedings and Resolution upon the minutes of the Board.

Thereupon, after consideration of other business before the Board, the meeting was adjourned.




Donna F. Phillips, Secretary

(SEAL)

STATE OF COLORADO)
)
COUNTY OF PUEBLO) ss.
)
PUEBLO CONSERVANCY)
DISTRICT)

I, Donna F. Phillips, Secretary of Pueblo Conservancy District, Pueblo County, Colorado, do hereby certify that the foregoing pages numbered 1 to 19, inclusive, constitute a true and correct copy of that portion of the record of proceedings of the Board of Directors of said District relating to the adoption of a resolution authorizing the issuance of Conservancy Maintenance Fund Bonds, adopted at a regular meeting of the Board held within the District at 201 W. 'B' Street, in Pueblo County, Colorado, on Wednesday, the 17th day of December, 2014, at the hour of 10:30 A.M., as recorded in the official record of proceedings of said District kept in the District's office; that the proceedings were duly had and taken; that the meeting was duly held; that the persons therein named were present at said meeting and voted as shown therein; and that a notice of meeting, was posted at three public places within the District, and at the office of the Clerk and Recorder of Pueblo County, Colorado, at least three days prior to the meeting, in accordance with law.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the District, this 17th day of December, 2014.


Donna F. Phillips, Secretary

(SEAL)

PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO

CONSERVANCY MAINTENANCE FUND BONDS
2014 SERIES A
\$2,500,000.00

Dated December 22, 2014

OFFICIAL STATEMENT

HISTORY AND STATUS OF THE PUEBLO CONSERVANCY DISTRICT as of June, 2014

The Pueblo Conservancy District (PCD) was organized under the Conservancy Law of Colorado C.R.S. 37-1-101 through 37-8-101 in response to the 1921 flood. The law was originally passed in 1921 (see Chapter CLXXIV of the Compiled Laws of Colorado of 1921, Subdivision III, entitled "Conservancy Districts" beginning with Section 9515 and ending with Section 9580), in direct response to the flood which ravaged Pueblo in 1921. A petition for the organization of the district was filed with the Pueblo District Court on May 26, 1922.

The primary function of PCD is the continuing responsibility related to flood protection of its designated boundaries. The Statutes set forth the specific purposes of PCD as they related to floods and the methods of financing construction, maintenance and operations. In addition to this flood control purpose the Colorado Legislature amended the powers of the Conservancy Districts by expanding the purposes to include conservation of soils and other surface resources; studying correcting and controlling natural and artificial pollution of surface and ground waters; encouraging and participating in the development of parks and recreational facilities within its boundaries. This amendment became effective April 7, 1994.

The District was created by decree of the Pueblo District Court on September 14, 1922 following hearing upon Petitions of the County of Pueblo, City of Pueblo, two school districts, two water districts and private citizens for organization of the District under the Act. Once created, the District became a political subdivision of the State pursuant to C.R.S. 37-2-105 (7). Three directors were appointed by the Court under an Order of September 30, 1922 and the first meeting of the Board of Directors was held October 7, 1922 to organize the board. At a meeting of the directors on November 7, 1922, a contract with Dayton-Morgan Engineering Company as Chief Engineer to develop a plan for flood protection was approved by the directors. Several plans were presented. On March 10, 1923, an official plan was announced being described as Plan R: the Bluff Channel Plan. A Notice of Hearing was ordered published.

On June 2, 1923, the official plan in five parts was adopted by the Board. Notice of the adoption of the plan was ordered published and was generally described as a barrier at Rock Canyon west of the City of Pueblo, and a channel along the bluff south of Union Depot from above the Fourth Street Bridge in the City of Pueblo to a connection with the Arkansas River below Santa Fe Avenue. The stated capacity of the channel was to be approximately 125,000 cubic feet per second and the approximate cost was estimated at \$4,000,000.00. Bonds were issued to fund the constructed improvements and were paid in full in 1955.

The District as organized is situate wholly within Pueblo County, Colorado. It originally embraced 7,651.6 acres or 11.95 square miles of territory. It is in the form of an irregular narrow strip averaging approximately one mile in width by eleven miles in length following the course of the Arkansas River in a general southeasterly direction from a point 9 1/2 miles west of the City limits as they existed in 1922 through the heart of the City of Pueblo to the eastern City limits as they existed in 1922. 1.28 square miles was included in the boundaries of the City of Pueblo itself as the same existed in 1922. This property was in the heart of the business district

of Pueblo and included at that time 46.3% of the total assessed valuation within the City of Pueblo (as compared to only 11.28% of the total area of the City of Pueblo).

When the directors of the District assessed benefits under the proposed Plan, 51.1% of the total taxes for the Pueblo Conservancy project were levied against six municipal corporations: The City of Pueblo (45%), the County of Pueblo (5.1%), the Northside Water Works (0.56%), the Southside Water Works (0.15%), School District No. 1 (0.26%) and School District No. 20 (0.03%). At present, the Northside Water Works and the Southside Waters Works have been consolidated in the Board of Water Works in the City of Pueblo and old School Districts No. 1 and 20 have been consolidated in School District No. 60. 21.064% of the total taxes were levied against railroads and public utilities and 27.3% were levied against private owners of real estate. It is significant to note that the City agreed to such assessment and the right of the District to make such an assessment was upheld by the Colorado Supreme Court in a decision hereafter referred to.

The decree of the Pueblo District Court establishing the District and the constitutionality of the Conservancy Act was upheld by a decision of the Colorado Supreme Court rendered February 27, 1923, known as People ex rel Setters v. Lee, 598, 213 Pac. 513 (1923). The Court upheld the right of the legislature to create a quasi-municipal corporation and to provide for the manner of its administration. Significantly the Court said, Page 606, "The governing body of the district is the Board of Directors. The act contemplates and provides for the permanent existence of that Board. It is as much the governing body of the district as the Moffat Tunnel Commission is of the Moffat Tunnel Improvement District, and is as permanent." One of the major attacks on the act was that the Board's power to appraise the benefits and damages accruing to cities, towns, counties and other political entities, and to assess taxes accordingly violated Section 8, Article XI of the Colorado Constitution. The Court rejected this contention and at Page 612, stated as follows: "Such taxation, and the indebtedness involved, is not such taxation and indebtedness as is contemplated by Section 8, Article XI of the Constitution, above quoted. That Section applies only to taxation and indebtedness incurred for the governmental purposes of the City . . . here the tax is for the purpose of paying an assessment to carry out the purposes, not of the City, but of the Conservancy District." (Emphasis supplied)

For years, PCD had relied on its reserve and investments for operations and maintenance as well as for additional construction and participation in the added purposes projects development with the City of Pueblo, Colorado Division of Wildlife, the Army Corps of Engineers and the Historic Arkansas River Project (HARP).

Prior to 2009, PCD received no public financing since terminating its mill levy in 1955. For years, investment policies allowed substantial growth in reserves thus eliminating the need for further public taxes or assessments. In approximately 1990, the Colorado Legislature established investment practices for government bodies including PCD. Since that time PCD has been restricted to investments that are collateralized or statutorily authorized. When investment returns fell, expenses of PCD exceeded income resulting in diminishing reserves for maintenance. In 2008, 2009 and 2010 PCD certified to the Treasurer of Pueblo County a maintenance fund assessment on all lands that were within the Pueblo Conservancy District Boundary. These assessments were collected in 2009, 2010 and 2011 respectively. PCD did not

make a maintenance fund assessment for 2011, collectable in 2012. On October 29, 2012 the Directors notified the Treasurer of Pueblo County that an Assessment would be made for the calendar year 2012 payable in arrears in 2013. A Maintenance Fund Assessment has been made each year since that time, primarily for the purpose of complying with newly adopted regulations requiring the certification of the Pueblo Levee to avoid much of the downtown area of Pueblo being considered to be located in a flood zone.

The Official Plan of the Pueblo Conservancy District was amended by Court Order on May 29, 2007 and a Notice of the Amended Official Plan was recorded in the office of the recorder of Pueblo County on August 1, 2007 under reception number 1738292. The Amended Official Plan is as follows:

1. To continue its operations with the assistance of a single staff person who is both the Engineer and Administrator of PCD. This contract of services shall pay a monthly fee for administrative services, routine examination of district properties and its levies; attendance at meetings of the board and reasonable time given to meetings with other public entities with whom PCD maintains relationships. Specific engineering projects, consultations or extended meetings shall be subject to additional billing as agreed to by the board of PCD.
2. To continue the necessary examination and maintenance of the concrete flood protection levee from 11th Street in Pueblo to Runyon Lake; the earthen levee along Wildhorse Creek and to evaluate every three years the need for any additional flood protection requirements within the boundaries of PCD. The maintenance includes but is not limited to levee stability; erosion repair and prevention; levee seam caulking; water gate maintenance; removal of debris, vegetation and blockage; maintenance road repairs and property maintenance within PCD boundaries.
3. The PCD shall as soon as possible initiate maintenance repairs to the concrete levee between the diversion dam located below the Fourth St. Bridge and the Santa Fe Bridge at an estimated cost of \$300,000.00. PCD shall seek assistance from the Army Corps of Engineers and any alternative funding possible to complete the maintenance necessary to insure levee stability and the ability of the flood protection construction to be certified in accordance with Federal Emergency Management Agency (FEMA) requirements.
4. The PCD shall over a period of five years and thereafter as needed re-caulk the seams of the concrete levee and establish maintenance plans to prevent erosion on the South slope of the levee between Dutch Clark stadium and the Santa Fe Railroad Bridge with annual costs estimated at \$60,000.00.
5. The PCD shall over a period of ten years initiate maintenance improvements on the unimproved portions of the levee slopes through brush removal,

erosion control and water diversions with annual costs estimated at \$15,000.00.

6. The PCD shall initiate annual maintenance of the earthen levee to include drainage, brush, weed and debris removal with annual costs estimated at \$8,000.00. This maintenance on the earthen levee is necessary to insure eligibility for certification in accordance with FEMA requirements.
7. The PCD shall cooperate with the Historic Arkansas River Project (HARP) in the development of parks and recreational facilities which lie within the PCD District, with annual costs estimated at \$10,000.00 and special project costs funded as is appropriate from time to time.
8. The PCD will assist in the maintenance of the public access and use of Runyon Lake and the property of the District in proximity to the Lake and Runyon Field.
9. The PCD will assist in the maintenance of the public access and use of the Arkansas River and Thomas Phelps Creek for fishing, kayaking and hiking.
10. PCD will not purchase additional lands or property without this Court's prior consent.
11. The PCD will continue to budget for routine operational expenses in addition to necessary maintenance, repairs, insurance, directors' fees, cleaning and weeding operations, brush removal and protection of assets currently part of the flood protection system of PCD and the recreational enhancements contained within the boundaries of PCD.

In November of 2011 the PCD and the City of Pueblo filed a joint Motion to the supervising District Court to appoint three commissioners as a Board of Appraisers to appraise all benefits to land within the District. The District Court entered an Order on December 19, 2011 appointing the existing Board of Directors as a Board of Appraisers. The PCD then issued a Request for Proposal (RFP) soliciting engineers and others to submit proposals for the purpose of determining a process that provided for a fair allocation of the Maintenance Fund Assessment to be made pursuant to statute. The RFP required those responding to become familiar with the appraisal methodology set forth in CRS § 37-4-102 and then developing an appropriate assessment rate for each parcel or entity in the District. The RFP further required those submitting responding to determine if there was land within Pueblo County but not currently within the PCD boundaries that in benefitted by the PCD and to appraise the benefits to such land in accordance with the statute.

On March 23, 2012 the law firm of Altman, Keilbach, Lytle, Parlapiano & Ware, P.C., Northstar Engineering and Surveying, Inc., Arrowhead Real Estate Appraisals, Inc. and Garren Ross & Dinardo, Inc. (hereinafter referred to as the "ANAG submitted a joint

proposal in response to the RFP. After review of the proposal, on April 12, 2012 an Agreement for Services was entered into between PCD and ANAG wherein ANAG would proceed with Phase I of the project. In addition to the matters set forth in the RFP, the Agreement for Services asked ANAG to make a determination as to whether it was in the best interest of the public to continue the existence of the PCD. On June 27, 2012 ANAG presented a Phase I Report to the Board of Appraisers (and District Directors) outlining options for a fair and equitable maintenance fund assessment and recommending that the assessment be applied to all property in the County, City and flood plain.

On July 25, 2012 the District retained the ANAG group to proceed with developing a final report that would include the details of the proposed maintenance fund assessment. On September 25, 2012 the ANAG group submitted the "Pueblo Conservancy District Assessment Project Development of Assessment-Phase II Final Report".

The Federal Emergency Management Association (FEMA) is requiring the levee to be certified by an appropriate, licensed engineer. Failure to certify the levee could result in the entire downtown area of the City of Pueblo to be designated as being within a flood zone. The most likely consequence of that designation by FEMA would be that properties within the flood zone would be required to maintain flood plain insurance on their property. The ANAG group analyzed the cost of a proposed maintenance fund assessment compared to the cost of flood zone insurance. The cost of flood zone insurance is significantly higher than the proposed maintenance fund assessment. Details concerning this are found in Appendix M of the Phase II Final Report.

After notice to the public and hearing, the boundary of the District was expanded to embrace the entire County of Pueblo and a three tier method of assessment was established. The Court Order approving expansion of the boundary was issued on January 26, 2013. The Court specifically found among other things, that "The three-tier method of assessment wherein properties within the flood plain would be assessed at a greater rate than properties outside the flood plain is fair and reasonable and in compliance with the Conservancy Law of Colorado." The Court further found that "The Maintenance Fund Assessment of the Pueblo Conservancy District has been determined by the Colorado Supreme Court to be a fee and not a tax. This Court confirms that the Maintenance Fund Assessment is not a tax."

In the Colorado Supreme Court case of *Campbell v. Orchard Mesa Irrigation District*, 972 P.2nd 1037 (Colo. 1998) the Court analyzed whether or not an irrigation district was a "district" for the purposes of Article X, Section 20 (Tabor) of the Colorado Constitution. The Court concluded that although an irrigation district is a public corporation it is not a "district" for Tabor purposes, and therefore not governed by Tabor. The Court held that the irrigation district's assessments were not general taxes and that irrigation district revenues could not be used for general governmental purposes but only for the limited purposes of the district. The Court noted that nonresident, unregistered voters who own land in the district were eligible to vote in district matters. The Orchard Mesa Irrigation District was organized under a 1921 statute, similar to the Conservancy Law of

Colorado's 1923 statute. The Pueblo Conservancy District has provisions similar to that of the Orchard Mesa Irrigation District. Owners of land within the district, whether resident or nonresident, whether registered voters or nonregistered voters, were the only individuals eligible to petition for creation of the district (C.R.S. 37-2-102); owners of land were the only individuals eligible to protest the creation of the district (C.R.S. 37-2-105); in the event of a petition to dissolve a district, an election is conducted by the secretary of the board of directors of the district under the supervision of the court creating the district (C.R.S. 37-3.5-105), not by the County Clerk; when land is to be excluded or taken into the district, notice is to be given to the owner of said land (C.R.S. 37-4-104); any property owner may accept or reject the appraisal of benefits to his property (C.R.S. 37-4-107); only land owners within the district are assessed fees (C.R.S. 37-5-107(3)). Based on this case, which still stands as Colorado law, the Pueblo Conservancy District is not deemed to be governed by Tabor.

C.R.S. 37-5-106 (11) provides: "All bonds issued by any conservancy district pursuant to articles 1 to 8 of this title shall be exempt from all state, county, municipal, school and other taxes imposed by any taxing authority of the state of Colorado."

In 2014 HB 14-1184 was passed by the Colorado legislature and signed into law by the Governor. This law expanded the number of Directors of the District from three Directors each appointed by the District Court, to nine Directors some appointed by the City of Pueblo and some appointed by the County of Pueblo.



McPherson,
Breyfogle,
Daveline &
Goodrich, PC
Certified Public Accountants

503 N Main, Suite 740
Pueblo, CO 81003
Phone (719) 543-0516
Fax (719) 544-2849

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

We have compiled the accompanying balance sheets – general fund only – of the Pueblo Conservancy District as of December 31, 2013 and December 31, 2012, and the related comparative statements of revenue and expenditures – actual and budget – general fund for the one-month and twelve months ended December 31, 2013 and the year ended December 31, 2012. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

McPherson, Breyfogle Daveline & Goodrich, PC

March 18, 2014

PUEBLO CONSERVANCY DISTRICT
BALANCE SHEET - GENERAL FUND ONLY
DECEMBER 31, 2013 AND DECEMBER 31, 2012

	<u>12/31/2013</u>	<u>12/31/2012</u>
ASSETS		
VECTRA BANK CHECKING	\$ 519,433	\$ 34,500
VECTRA BANK MONEY MARKET	11,907	11,901
BROKERAGE MONEY MARKET ACCOUNTS	268,940	131,441
COLOTRUST INVESTMENT	25,085	25,053
WELLS FARGO INVESTMENT	-	399,085
STIFEL NICOLAUS INVESTMENT	209,174	260,045
MORGAN STANLEY INVESTMENT	607,132	
ACCRUED INTEREST & OTHER RECEIVABLES	2,980	5,116
MAINTENANCE ASSESSMENTS RECEIVABLE	<u>858,533</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 2,503,184</u>	 <u>\$ 867,141</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
ACCOUNTS PAYABLE	\$ 38,425	\$ 902
PAYROLL TAXES PAYABLE	1,102	\$ -
MAINTENANCE FUND REFUND PAYABLE	<u>31,288</u>	<u>497</u>
 TOTAL LIABILITIES	 <u>70,815</u>	 <u>1,399</u>
 DEFERRED INFLOWS OF RESOURCES		
MAINTENANCE ASSESSMENTS	<u>858,533</u>	<u>-</u>
 ASSIGNED FUND BALANCE	 597,152	 310,851
UNASSIGNED FUND BALANCE	<u>976,684</u>	<u>554,891</u>
	-	
 TOTAL FUND BALANCE	 <u>1,573,836</u>	 <u>865,742</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u>\$ 2,503,184</u>	 <u>\$ 867,141</u>

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2012

	ACTUAL				
	CURRENT MONTH	YEAR TO DATE	2013 BUDGET	UNUSED BUDGET	2012 ACTUAL
REVENUES					
INTEREST INCOME					
COLOTRUST	\$ 2	\$ 32	\$ -	\$ -	\$ 56
MONEY MARKET ACCOUNTS	3	27	-	-	21
WELLS FARGO	-	5,575	-	-	21,749
STIFEL NICOLAUS	2,560	10,857	-	-	12,494
MORGAN STANLEY	2,287	9,447	-	-	-
UNREALIZED GAINS (LOSSES)	(6,382)	(33,520)	-	-	(13,834)
TOTAL INTEREST INCOME	(1,530)	(7,582)	30,000	37,582	20,486
MAINTENANCE FUND ASSESSMENT	15,815	914,818	314,000	(600,818)	92
CITY OF PUEBLO MAINT. FUND IGA	-	50,000	50,000	-	-
LEASE PAYMENTS	-	-	-	-	1,042
MAINTENANCE FUND REFUND	(31,288)	(31,288)	-	-	-
OTHER INCOME	-	275	-	(275)	-
TOTAL REVENUES	\$ (17,003)	\$ 926,223	\$ 394,000	\$ (532,223)	\$ 21,620
EXPENDITURES					
80 LEGAL FEES	\$ 2,140	\$ 7,551	\$ 6,000	\$ (1,551)	\$ 4,800
81 DIRECTORS FEES	600	7,200	7,200	-	3,735
82 FICA TAXES	551	551	551	-	286
83 ENGINEER/ADMINISTRATIVE	1,200	7,607	7,200	(407)	7,219
90 AUDIT & BOOKKEEPING	700	4,970	4,200	(770)	4,000
92 INSURANCE/BONDS	-	3,328	3,200	(128)	2,416
96 OFFICE EXPENSE	75	1,511	500	(1,011)	498
97 OFFICE RENT	-	840	1,000	160	840
100 PROFESSIONAL FEES	6,533	12,197	10,000	(2,197)	950
APPRAISAL	2,750	30,506	20,000	(10,506)	146,289
103 TRAVEL	-	-	-	-	-
105 REPAIRS & MAINTENANCE	54,176	66,868	20,000	(46,868)	2,215
ARKANSAS RIVER LEVEE REPAIRS	-	-	125,000	125,000	5,414
LEVEE CERTIFICATION-PRELIM	-	-	165,000	165,000	-
WILDHORSE/DRY CREEK LEVEE-PRELIM	-	-	15,000	15,000	-
WILDHORSE/DRY CREEK LEVEE DESIGN	-	-	50,000	50,000	-
WILDHORSE/DRY CREEK LEVEE CONSTRI	-	-	150,000	150,000	-
108 CONTINGENCIES	-	-	20,000	20,000	-
109 EMERGENCY REPAIR	-	-	15,000	15,000	7,500
110 CAPITAL IMPROVEMENTS	-	-	5,000	5,000	-
111 PLANNING & DEVELOPMENT	-	-	5,000	5,000	-
112 HARP - O & M / HARP - IGA CNTRB	-	75,000	75,000	-	45,000
TOTAL EXPENDITURES	68,725	218,129	704,851	486,722	231,162
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (85,728)	\$ 708,094	\$ (310,851)	\$ (1,018,945)	\$ (209,542)

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
INVESTMENTS
12/31/2013

BROKER	DESCRIPTION	MATURITY DATE	RATE	PAR VALUE	BALANCE 12/31/2012	ADDITIONS	MKT VALUE CHANGE	REDEMPTION SALES	BALANCE 12/31/2013	INTEREST RECEIVED 12/31/2013	ACCRUED INTEREST 12/31/2013
CASH ACCOUNTS											
VECTRA BANK	Money Market Account				11,900.86	5.97	-	-	11,906.83	5.97	
STIFEL NICOLAUS	Money Market Account				26,568.20	39,329.39	-	-	65,897.59	4.33	
WELLS FARGO	Cash Sweep Account				104,872.42	55,167.64	(160,040.06)	-	-	2.40	
MORGAN STANLEY	Cash Sweep Account				-	587,973.55	(384,931.21)	-	203,042.34	12.48	
TOTAL CASH ACCOUNTS WITH BROKERS					143,341.48	682,476.55	(544,971.27)	-	280,846.76	25.18	
INVESTMENTS											
COLOTRUST	Absc 7081 - PLUS		6.240%		25,052.96	32.37	-	-	25,085.33	32.37	-
TOTAL COLOTRUST					25,052.96	32.37	-	-	25,085.33	32.37	-
WELLS FARGO	FNMA 06-107 PD REMIC MULTICLASS CMO	6/25/2035	5.000%	78,000.00	83,811.78	-	(2,738.58)	81,073.20	-	1,950.00	-
	GNMA 08-7 FN REMIC MULTICLASS CMO	1/20/2037	4.250%	60,000.00	17,329.97	-	(307.12)	17,022.85	-	326.36	-
	FLMNC 3393 BY REMIC MULTICLASS CPN	11/15/2037	5.500%	94,000.00	98,327.20	-	(2,949.36)	95,377.84	-	2,271.64	-
	FNMA 2008-74B REMIC MULTICLASS CMO	9/15/2038	5.000%	50,000.00	27,540.49	-	(992.48)	26,548.01	-	649.41	-
	FLMNC 3626 UA REMIC MULTICLASS CMO	9/15/2039	5.000%	50,000.00	2,900.26	-	2.79	2,903.05	-	33.87	-
	GNMA 10-45 HQ REMIC MULTICLASS CMO	3/20/2040	5.000%	144,000.00	70,467.43	-	(386.31)	69,881.12	-	1,608.04	-
	FNMA 10-141 AL REMIC MULTICLASS CMO	12/25/2040	4.000%	90,000.00	98,707.50	-	(3,578.40)	95,129.10	-	1,800.00	-
TOTAL WELLS FARGO					399,084.63	-	(11,149.46)	387,935.17	-	8,659.32	-
STIFEL NICOLAUS	FEDL HOME LN MTG CORP #170217	3/1/2017	8.000%	1,120,000.00	1,390.86	-	(71.59)	457.35	861.92	88.28	11.00
	GNMA POOL #676875	3/15/2023	6.500%	235,000.00	117,339.56	-	(2,887.29)	14,340.08	100,112.19	6,352.51	995.24
	GNMA POOL #003851	5/20/2036	5.500%	165,000.00	39,657.77	-	(1,233.71)	13,697.96	24,726.10	1,652.52	207.64
	GNMA POOL #NA0318	8/20/2042	3.500%	95,000.00	101,657.02	-	(7,354.39)	10,829.16	83,473.47	3,118.19	484.01
TOTAL STIFEL NICOLAUS INVESTMENT					260,045.21	-	(11,546.98)	39,324.53	209,173.68	11,211.50	1,697.89
MORGAN STANLEY	FED NATL MTG ASSN	1/15/2014		60,000.00	-	60,002.73	(6.93)	-	59,995.80	-	-
	TENN VALLEY AUTH	5/1/2016		133,000.00	-	129,737.92	(521.77)	-	129,216.15	-	-
	FNMA MED TERM NOTE	9/23/2017		100,000.00	-	95,112.69	(752.69)	-	94,360.00	-	-
	FNMA POOL MA0629	1/1/2021	3.500%	100,000.00	-	50,008.12	(652.18)	4,543.16	44,812.78	395.42	124.34
	FNMA 2006-107 PD	6/25/2035	5.000%	78,000.00	-	81,073.20	(1,280.32)	32,873.43	46,919.45	1,787.66	188.02
	GNMA REMIC TRUST 2010-84 NL	12/20/2036	3.000%	100,000.00	-	49,819.46	(229.36)	6,208.66	43,381.44	342.77	105.80
	GNR 2008-7 FN	1/20/2037	4.250%	60,000.00	-	13,890.54	(210.69)	3,413.75	10,266.10	287.97	34.54
	FHR 3393 BY	11/15/2037	5.500%	94,000.00	-	74,544.19	(1,679.63)	20,335.78	52,528.78	1,882.72	220.91
	FNMA 2008-74 B	9/25/2038	5.500%	53,000.00	-	21,964.99	(345.78)	5,196.05	16,423.16	582.27	68.93
	GNMA 10-45 HQ	3/20/2040	5.000%	144,000.00	-	46,167.91	165.78	26,924.51	19,409.18	946.57	79.59
	FNMA REMIC TRUST 2010-141 AL	12/25/2040	4.000%	90,000.00	-	95,129.10	(3,310.00)	-	89,819.10	2,100.00	299.99
TOTAL MORGAN STANLEY INVESTMENT					-	717,430.85	(10,823.57)	99,495.34	607,131.94	8,325.38	1,122.12
TOTAL INVESTMENTS					684,182.80	717,483.22	(33,520.01)	526,755.06	841,390.95	28,208.57	2,820.01
TOTAL ALL ACCOUNTS					827,524.28	1,399,959.77	(578,491.28)	526,755.06	1,122,237.71	28,233.75	2,820.01

PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO
CONSERVANCY MAINTENANCE FUND BONDS
2014 SERIES A - \$2,500,000

PURCHASE AGREEMENT

Board of Directors
Pueblo Conservancy District

December 18, 2014

Pueblo, Colorado 8100

Gentlemen:

On the basis of the representations, warranties and covenants contained in this Purchase Agreement (the "Purchase Agreement"), and upon the terms and conditions contained herein, American Bank of Commerce, (the "Purchaser"), hereby offers to purchase from the Pueblo Conservancy District, Pueblo County, Colorado (the "District"), \$2,500,000.00 aggregate principal amount of the Pueblo Conservancy District, Pueblo County, Colorado, Conservancy Maintenance Fund Bonds, 2014 Series A (the "Bonds"), to be issued pursuant to a resolution to be approved and adopted by the Board of Directors (the "Resolution") as of December 17, 2014.

Section 1. Representations, Warranties and Agreement of the District. By its acceptance hereof the District represents and warrants to, and agrees with the Purchaser that:

(a) The District is a special district organized under the laws of the State of Colorado authorized by the provisions of Constitution and laws of the State of Colorado (the "State") to adopt the Resolution and issue the Bonds.

(b) The District has complied with all provisions of the Constitution and laws of the State, and has full power and authority to consummate all transactions contemplated by this Purchase Agreement, the Bonds, and the Resolution and any and all other agreements relating thereto.

(c) The information contained in the Official Statement(as hereinafter defined) and any appendices hereto, is and as of the Closing Time (as hereinafter defined) will be true correct and does not contain, and as of the Closing Time will not contain, any untrue statement of a material fact and does not omit, and as the Closing Time will not omit, to state a material fact that should be stated therein or is necessary to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading.

(d) There is no action, suit, proceedings, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the best of the District's knowledge, threatened against or affecting the District (or to the best of the District's knowledge any basis therefor), wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement, the Resolution or the authority for or validity of this Purchase Agreement, the Bonds and the Resolution or any agreements or instrument to which you are a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement and the Resolution.

(e) The adoption of the Resolution and the execution and delivery of this Purchase Agreement, the Bonds and the Official Statement and other agreements contemplated hereby and by the Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the part of the District a breach of or a default under any existing law, court or administrative regulation, decree or order to any agreement, indenture, mortgage lease or other instrument to which the District is subject or by which the District is or may be bound. The Resolution and this Purchase Agreement are valid and binding obligations of the District and are enforceable against the District in accordance with their terms subject only to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, the police powers inherent in the sovereignty of the State and to exercise by the United States of powers under the Constitution of the United States.

(f) The financial statements of the District for the fiscal year ended December 31, 2013 included in the Official Statement have been prepared in conformity with generally accepted accounting principals consistently applied to the periods concerned and fairly present the financial condition of the District as of such date and the funds pledged as security for the Bonds or referred to in the Official Statement. There has been no material change in the general affairs, management, properties, financial position, fund balances or results of operations of the District since the date of such audited financial statements except as may be set forth in the Official Statement.

(g) Any certificate signed by any authorized officers of the District and delivered to the Purchaser shall be deemed a representation and warranty by

the District to the Purchaser as to the statements made therein.

Section 2. Conditions to the District's Obligations. The District's obligations hereunder are subject to the Purchaser's performance of its obligations hereunder.

Section 3. Representations, Warranties and Agreements to Survive Delivery. All of the representations, warranties and agreements of the District shall remain operative and in full force and effect, regardless of any investigations made by the Purchaser on its behalf and shall survive delivery of the Bonds to the Purchaser.

Section 4. Applicable Law; Assignability. This Purchase Agreement shall be governed by the laws of the State of Colorado. This Purchase Agreement shall not be assigned by the District.

American Bank of Commerce

By E. Small Shree CEO

Accepted as of the date first above written:

PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO

By Paul W. [Signature]

EXHIBIT A

Pueblo Conservancy District
Pueblo County, Colorado
Conservancy Maintenance Fund Bonds
2014 Series A - \$2,500,000.00

<u>Payment due</u> <u>(December 22)</u>	<u>Principal</u> & Interest payment	<u>Interest Rate</u>
2015	\$500,000	2.55%
2016	\$500,000	2.55%
2017	\$500,000	2.55%
2018	\$500,000	2.55%
2019	\$500,000*	2.55%

*Together with such additional amount as is necessary to pay accrued interest and outstanding principal, in full.

PAYING AGENT AND REGISTRAR AGREEMENT

In consideration of the mutual promises and covenants and subject to the terms, conditions, and covenants hereinafter recited, Pueblo Conservancy District, Pueblo County, Colorado (the "Issuer"), hereby appoints American Bank of Commerce, in Pueblo, Colorado (the "Bank"), and the Bank accepts such appointment, as Paying Agent (the "Paying Agent") for the Issuer's Conservancy Maintenance Fund Bonds, 2014 Series A, issued in the principal amount of \$2,500,000.00 and dated December 22, 2014 (the "Bonds"). The issuer also appoints the Bank, and the Bank accepts such appointment, as the authenticating registrar (the "Registrar") for the Bonds.

1. Except as may be otherwise provided herein, the Bank shall perform those functions and duties required or permitted to be performed by the Registrar and/or Paying Agent as provided in the resolution authorizing the issuance of the Bonds adopted on December 17, 2014, by the governing body of the Issuer (the "Authorizing Document"), and shall be subject to the provisions and limitations thereof. Such Authorizing Document is incorporated herein by reference.

2. The Bank shall act as agent of the Issuer for the limited purpose of being Registrar and Paying Agent for the Bonds. The Bank, its officers, directors, and employees, may become the owner or owners of, or acquire any interest in, the Bonds with the same rights that it or they would have if it were not the Paying Agent or Registrar hereunder; may engage or be interested in any financial or other transactions with the Issuer or any agents thereof; and may act on behalf of, or as depositary, trustee, or agent for, any committee or body of owners of Bonds or other obligations of the Issuer or any agents thereof, as freely as if it were not the Paying Agent or Registrar hereunder.

3. The Bank understands and acknowledges that, by reason of the execution hereof, it has assumed a role of fiduciary with respect to the disbursements of funds received from the Issuer for the purpose of paying the principal of, premium if any, and interest due on the Bonds. The Bank shall receive and disburse such funds solely in accordance with the terms and provisions hereof, and shall remit to the Issuer the funds not necessary for the purpose of making the aforesaid payments on the Bonds after any particular Due Date, as defined in Section 5 hereof.

4. If this Agreement is executed on or prior to date of the issuance of the Bonds, the Bank shall establish the registration books for the Bonds and thereafter maintain such books in accordance with the provisions of the Authorizing Document. The Issuer shall provide the Bank with an initial Registry of the Bondholders within a reasonable time prior to delivery of the Bonds. If this Agreement is entered into subsequent to the issuance of the Bonds, the Issuer

shall furnish the Bank with the existing registration books as soon as practicable after the execution hereof and the Bank shall thereafter maintain the registration books in accordance with the Authorizing Document. The Issuer shall be permitted to review the registration books at any time during the regular business hours of the Bank and, upon written request to the Bank, shall be provided a copy of the list of registered owners of the Bonds. Upon expiration or other termination of this Agreement, the Bank shall promptly return such registration books to the Issuer.

5. The Bank shall make payments of principal, premium if any, and interest on the Bonds on each date established for payment thereof (the "Due Date"). Prior to a Due Date, the Issuer shall furnish funds to the Bank in amounts sufficient to pay all amounts due. Such funds shall be used by the Bank solely for the purpose of paying the principal of, premium if any, and interest on the Bonds in accordance with their terms and the provisions of the Authorizing Document. The Bank shall have no duty to collect, or notify the Issuer of, amounts due on the Bonds. The Bank shall have no duty to make any payments prior to any Due Date or until funds necessary to cover all payments due on the Due Date have been deposited with it. The Bank shall not be required to advance its own funds for any payments in connection with the Bonds.

The Issuer shall notify the Bank of the optional redemption of Bonds, in whole or in part, at least fifty (50) days prior to the date of such optional redemption.

The Issuer shall notify the Bank of an advance refunding of the Bonds, in whole or in part, on the date on which proceeds are placed in escrow and in trust for the purpose of effecting such refund.

6. The Bank shall not be obligated to segregate the funds held as Paying Agent unless otherwise required by law, and shall not be liable for payment of interest (other than interest on the Bonds) on any funds held in its capacity as Paying Agent.

7. The Bank will register, exchange, or transfer (collectively "transfer") the Bonds in the manner provided in the Authorizing Document. The Bank reserves the right to refuse to transfer any Bond until it is satisfied that the endorsement on the Bond is valid and genuine, and for that purpose it may require a guarantee of signature by a firm having membership in the Midwest, New York, or American Stock Exchange, or by a bank or trust company or firm approved by it. The Bank also reserves the right to refuse to transfer any Bond until it is satisfied that the requested transfer is legally authorized, and it shall incur no liability for any refusal in good faith to make a transfer which it, in its judgment, deems improper or unauthorized.

8. The Bank may issue new or duplicate Bonds in lieu of or on account of Bonds represented to have been lost, mutilated, destroyed, or stolen in the manner set forth in the Authorizing Document.

9. The Issuer shall furnish the Bank with a sufficient supply of blank Bonds for the sole purpose of effecting transfers in accordance with this Agreement and from time to time shall renew such supply upon the request of the Bank. Blank Bonds shall be signed by authorized officers of the Issuer and shall bear the seal of the Issuer, or shall bear, to the extent permitted by law, the facsimile signature of such officers and the facsimile of said seal.

10. In the event the Issuer receives any notice or order which limits or prohibits dealing in the Bonds, it will immediately notify the Bank of such notices or order and give a copy thereof to the Bank.

11. Within one year after the final maturity date of the Bonds, the Bank shall present a final statement and shall return any unclaimed funds to the Issuer. All cancelled Bonds and blank, unused certificates retained by the Bank shall be destroyed and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Issuer. The final statement shall include a list of any unpaid Bonds and any outstanding of unclaimed interest checks. The Issuer agrees to pay all unpaid Bonds and interest payments from the moneys returned to it by the Bank and shall release the Bank from any further liability or responsibility for payment.

12. This Agreement shall terminate upon delivery of the final statement under paragraph 11; however, either party may terminate the Agreement prior to that time upon thirty (30) days written notice, provided that termination may not become effective until a successor paying agent and registrar has been appointed by the Issuer or the Issuer has lawfully assumed such responsibilities. If the Issuer fails to appoint a successor within ninety (90) days of the resignation notice date, the Bank may petition a court of competent jurisdiction for appointment of a successor. The Bank shall turn over all funds, books, and reports to the Issuer or the successor paying agent and registrar as the case may be, within a reasonable time after the effective date of the termination notice. In case of resignation, the Bank shall pay for all costs and expenses relating thereto, including costs of giving notices and costs of forwarding or returning funds, Bonds, or other documents.

13. In any circumstances not covered specifically by this Agreement, the Bank shall act in accordance with federal and state banking laws and in accordance with its normal procedures in such matters.

14. The terms and conditions of this Agreement may be amended only by written agreement between the Issuer and the Bank adopted in the same manner as this Agreement.

15. The Issuer will furnish or cause to be furnished to the Bank an original or certified copy of all documents relating to the Bonds which are requested by the Bank.

16. This Agreement is executed in Colorado and shall be construed and enforced in accordance with the laws of Colorado.

17. This Agreement shall be dated as of the date of the Bonds set forth above.

PUEBLO CONSERVANCY DISTRICT

By 
Paul J. Willumstad, President

ATTEST:


Donna F. Phillips, Secretary

AMERICAN BANK OF COMMERCE

By  CEO
Authorized Agent

No. A-1

\$2,500,000.00

**UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTY OF PUEBLO**

PUEBLO CONSERVANCY DISTRICT

CONSERVANCY BOND, 2014 SERIES A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>
2.55%	December 22, 2019	December 22, 2014

REGISTERED OWNER: American Bank of Commerce

PRINCIPAL AMOUNT: TWO MILLION FIVE HUNDRED THOUSAND DOLLARS

Pueblo Conservancy District, in the County of Pueblo, and State of Colorado, a conservancy district duly organized and operating under the constitution and laws of the State of Colorado, for value received, hereby promises to pay, out of the special accounts hereinafter designated but not otherwise, to the registered owner named above, or registered assigns, on the maturity date specified above or on the date of prior redemption, the principal amount specified above. In like manner the District promises to pay interest on such principal amount (computed on the basis of a 360-day year of twelve 30-day months) from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated prior to May 15, 2015, in which event this Bond shall bear interest from December 22, 2014 at the interest rate per annum specified above, payable annually on December 22 each year, commencing on December 22, 2015, until the principal amount is paid at maturity or upon prior redemption. The principal of this Bond is payable in lawful money of the United States of America to the registered owner hereof upon maturity or prior redemption and presentation at the principal office of American Bank of Commerce, in Pueblo, Colorado, or its successor, as Paying Agent.

Payment of each installment of interest shall be made to the registered owner hereof whose name shall appear on the registration books of the District maintained by or on behalf of the District by American Bank of Commerce, in Pueblo, Colorado, or its successor, as Bond Registrar, at the close of business on the twenty second (22) day of the calendar month next preceding each payment date (the "Record Date"), and shall be paid by check or draft of the Paying Agent mailed on or before the interest payment date to such registered owner at his address as it appear on such registration books. The Paying Agent may make payments of interest on any bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Paying Agent as provided in the resolution authorizing the issuance of

this Bond (the "Bond Resolution"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof at the close of business on the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on Special Record Date (the "Special Record Date") established for the payment of any defaulted interest. Notice of the Special Record Date and the date fixed for the payment of defaulted interest shall be given by first-class mail to the registered owner hereof as shown on the registration books on a date selected by the Bond Registrar.

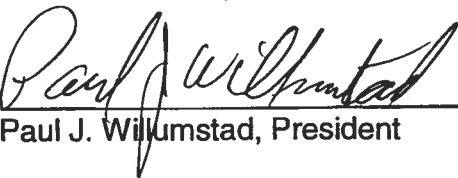
If the date for making any payment or performing any action shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

REFERENCE IS HEREBY MADE TO ADDITIONAL PROVISIONS OF THIS BOND ATTACHED HERETO, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF FULLY SET FORTH IN THIS PLACE.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the authorizing Bond Resolution until the certificate of authentication hereon shall have been signed by the Bond Registrar.

IN TESTIMONY WHEREOF, the Board of Directors of Pueblo Conservancy District has caused this Bond to be signed by the signature of the President of the District, sealed with the seal of the District, and attested by the signature of the Secretary thereof, all as of the 22nd day of December, 2014.

**PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO**

By: 
Paul J. Willumstad, President

ATTESTED:

By: 
Donna F. Phillips, Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is the Bond of the issue described in the within mentioned Bond Resolution.

Date of Registration
and Authentication:

AMERICAN BANK OF COMMERCE
Pueblo, Colorado
as Bond Registrar

12/22/14

By: *E. Pruitt Shaw* CEO
Authorized Signature

ADDITIONAL PROVISIONS

This Bond is in the amount of Two Million Five Hundred Thousand Dollars (2,500,000.00) par value, issued by the Board of Directors of Pueblo Conservancy District, in the County of Pueblo and State of Colorado, for the purpose of improvements and repairs to the levee through the City of Pueblo, which levee is owned and maintained by the Pueblo Conservancy District, by virtue of and in full conformity with the Constitution of the State of Colorado; title 37, Articles 1 through 8, C.R.S.; and all other laws of the State of Colorado thereunto enabling, and pursuant to the duly adopted Bond Resolution. It is hereby recited, certified, and warranted that all of the requirements of law have been fully complied with by the proper officers in issuing this Bond.

The principal of and interest on this Bond are payable only out of the proceeds of the Maintenance Fund Assessment, which assessment is provided for in C.R.S. 37-5-107. The bonds of this issue constitute an irrevocable lien upon the proceeds of the Maintenance Fund Assessment, but not necessarily an exclusive such lien.

It is hereby recited, certified, and warranted that for the payment of this Bond, the District will out of the Maintenance Fund Assessment, as an irrevocable charge thereon, pay the principal and interest on this Bond in the manner provided by the Bond Resolution.

THIS BOND DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, AND SHALL NOT BE CONSIDERED OR HELD TO BE A GENERAL OBLIGATION OF THE DISTRICT.

Reference is hereby made to the Bond Resolution for an additional description of the nature and extent of the security for the Bonds, the fund and revenues pledged to the payment thereof, the rights and remedies of the registered owners of the Bonds, the manner in which the Bond Resolution may be amended, and the other terms and conditions upon which the Bonds are issued, copies of which are on file for public inspection at the office of the District Secretary.

The bonds of this issue are subject to redemption prior to maturity, at the option of the District, as a whole or in part upon payment of par and accrued interest.

Notice of prior redemption shall be given by mailing a copy of the redemption notice, not less than ten (10) days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the registration books maintained by the Bond Registrar, in the manner set forth in the Bond Resolution. All

Bonds called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

The District and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing interest payment date, or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

The District, the Paying Agent, and the Bond Registrar may deem and treat the registered owner of this Bond as the absolute owner hereof for all purposes (whether or not this bond shall be overdue), and any notice to the contrary shall not be binding upon the District, the Paying Agent, or the Bond Registrar.

This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal office of the Bond Registrar, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Bond Resolution and upon surrender and cancellation of this Bond. This Bond may be transferred upon the registration books upon delivery to the Bond Registrar of this Bond, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the owner of this Bond or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of the Bond, along with the social security number or federal employer identification number of such transferee. In the event of the transfer of this Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the owner of this Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

SOCIAL SECURITY OR FEDERAL EMPLOYER
IDENTIFICATION NUMBER OF ASSIGNEE

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____;
attorney, to transfer said Bond on the books kept for registration thereof with full power of
substitution in the premises.

Dated:

Signature of Registered Owner:_____

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

Signature guaranteed:_____

(Bank, Trust Company, or Firm)

PUEBLO CONSERVANCY DISTRICT

SERIES 2014A TAX COMPLIANCE CERTIFICATE

The undersigned hereby certifies for and on behalf of the Pueblo Conservancy District (the "District") as to the following facts, estimates and circumstances:

1. In General.

1.1 The District is issuing and delivering, simultaneously with the delivery of this Certificate, its Tax-Exempt Conservancy Maintenance Fund Bonds, Series 2014A in the aggregate principal amount of \$2,500,000 (the "Bonds").

1.2 The undersigned President of the District is one of the officers of the District delegated the responsibility for issuing the Bonds.

1.3 I am familiar with the proceedings of the Board of Directors of the District (the "Board") taken preliminary to and in issuance of the Bonds, including the resolution adopted by the Board on December 17, 20124, authorizing the issuance of the Bonds (the "Resolution").

1.4 This certificate is for the purpose of establishing the reasonable expectations of the District as to future events relating to the Bonds pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and to the regulations promulgated thereunder (the "Regulations") as specifically required by Regulation Section 1.148-2(b) and for the purpose of evidencing compliance with and setting forth procedures which are designed to comply with certain provisions of the Code and the Regulations.

1.5 The District has not been notified of any listing or proposed listing of the District by the Internal Revenue Service as an issuer that may not certify its bonds.

1.6 To the best of my knowledge, information and belief, the expectations contained in this Certificate are reasonable.

1.7 Capitalized terms used herein shall have the meanings ascribed to such terms in the Resolution, or as set forth in Exhibit A hereto.

2. Purpose of the Bonds. The Bonds are being issued for the purpose of (i) providing moneys to finance the construction of improvements to the levee, owned and maintained by the District through the City of Pueblo , as further described in the Resolution (the " Project").

3. Cost of Project; No Overissuance.

3.1 The estimated total cost of the Project including the costs and expenses referred to in Subsection 3.2 hereof is not less than \$2,500,000.00.

3.2 The estimated total costs of the Project be not less than the amount received from the sale of the Bonds set forth in Subsection 4.1 hereof plus the investment income earned thereon.

4. Application of Sale Proceeds.

4.1 The Sale Proceeds will not exceed \$2,500,000.00 which amount consists of the principal amount of the Bonds of \$2,500,000.00.

4.2 The Sale Proceeds and all investment income earned thereon is expected to be needed and fully expended as follows:

(i) An amount of the Sale Proceeds equal to \$10,000.00 will be used to pay the costs associated with the issuance of the Bonds.

(ii) An amount of the Sale Proceeds equal to \$2,490,000.00 will be used, together with all investment income earned thereon not rebated to the United States, for the payment of costs of the Project.

5. Expenditure, Time and Due Diligence Tests. The District reasonably expects that one hundred percent of the Net Sale Proceeds of the Bonds allocable to the Project will be allocated to expenditures for the Project within two years of the date hereof. The District will incur within six months of the date hereof a substantial binding obligation (i.e., not subject to contingencies within the control of the District or a related party) to a third-party to expend at least five percent of the Net Sale Proceeds of the Bonds allocable to the Project on the costs of the Project. The completion of construction and improvement of the Project and the allocation of Net Sale Proceeds of the Bonds allocable to the Project to expenditures for the Project will proceed with due diligence..

6. No Replacement. No portion of the amounts received from the sale of the Bonds will be used as a substitute for other funds which were otherwise to be used as a source of financing for any of the purposes specified in Section 2 hereof and which have been or will be used to acquire, directly or indirectly, Investment Property producing a Yield in excess of the Yield of the Bonds.

7. Economic Life of Project. In accordance with Regulation § 1.148-1(c) regarding the safe harbor against the creation of "replacement proceeds," the average reasonably expected economic life of the facilities that constitute the New money project, determined as of the issue date, is at least 100 years. The principal of and interest on the Bonds will be paid from the Maintenance Fund Assessment.

8. Rebate Fund. All amounts, if any, to be deposited into the 2014A Rebate Fund, and all amounts on deposit therein shall be paid to the Department of Treasury at the times and in the amounts required by this Certificate.

9. Application of Investment Earnings. Other than the Bond Fund, it is anticipated that net investment earnings on amounts in any fund or account will be retained therein and used for the purposes thereof. The investment earnings on the Bond Fund, if any, shall be transferred into such fund as the Board determines in its annual budget.

10. No Other Funds. Other than the funds described herein, there is no fund or account that would constitute a sinking fund (as defined in Regulation Section 1.148-1(c)(2)) or a pledged fund (as defined in Regulation Section 1.148-1(c)(3)) for the Bonds.

11. Single Issue. Other than the Bonds, the District does not expect to issue other obligations which will be: (a) sold at substantially the same time as the Bonds (i.e., less than 15 days apart); (b) sold pursuant to the same plan of financing with the Bonds; and (c) reasonably expected to be paid for from substantially the same source of funds as will be used to pay the Bonds.

12. Temporary Periods and Yield Limitations.

12.1 All amounts allocable to the costs of issuing the Bonds will be used for the payment of costs of issuance on or before three years from the date hereof. Such amounts may be invested without regard to Yield restriction. Investment earnings on such amounts that are retained in the Project Fund may be invested without regard to Yield restriction for a period not to exceed one year from the date of receipt of the amount earned. Such amounts are, however, subject to the rebate requirements set forth in Exhibit B hereto (the "Rebate Requirement").

12.2 Proceeds derived from the sale of the Bonds deposited into the Project Fund to finance the cost of the Project may be invested without regard to Yield restriction (subject to the Rebate Requirement) for a period not to exceed three years from the

date hereof and thereafter shall be invested at a Yield not in excess of the Yield of the Bonds. Investment earnings thereon may be invested without regard to Yield restriction (subject to the Rebate Requirement) for a period not to exceed three years from the date hereof or one year from the date of receipt thereof, whichever is longer and thereafter shall be invested at a Yield not in excess of the Yield of the Bonds.

13. Allocation of Proceeds to Project: Reimbursements. No portion of the Proceeds of the Bonds will be used to reimburse the District for expenses incurred prior to the date hereof on the Project.

14. Rebate and Accounting. The District will comply with Exhibit B - Rebate and Exhibit C - Allocation and Accounting Rules throughout the term of the Bonds. There are several elections which must be made as of the date of issuance with respect to the Rebate Requirement.

14.1 With respect to any reserve fund, an election can be made not to include the earnings thereon in Available Construction Proceeds for purposes of calculating the two year expenditure requirement. The District does not make this election.

14.2 For purposes of demonstrating that the Bonds constitute a construction issue within the meaning of Section 148(f)(4)(C)(iv) of the Code, an election can be made, with respect to the provisions that are based on the District's reasonable expectations, to apply all of those provisions based on actual facts. The District does make this election.

14.3 Where less than 75 percent of the Available Construction Proceeds of an issue are to be used for construction expenditures, such as where an issue is part construction and part non-construction, an election may be made to treat each portion as a separate issue. If this election is made, only one "issue" (the construction part) can qualify for the two year rule. The District does not make this election.

14.4 Where the expenditure requirements are not met, the District may elect to be subject to a penalty in lieu of being subject to the rebate rules. The penalty is the product of 1.5 percent and underexpended proceeds as of the end of the spending period. For each spending period, underexpended proceeds is the difference between the Available Construction Proceeds spent and the Available Construction Proceeds required to be spent according to the expenditure schedule. The penalty is to be recalculated and paid for each spending period until the Bonds and any bonds issued to refund the Bonds are repaid. The penalty must be remitted within 90 days of the end of the

spending period to which it relates. The District does not make this election.

15. No Artifice or Device. The District has not engaged and will not engage in a transaction or series of transactions enabling it to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and which increases the burden on the market for Tax-Exempt Obligations, including selling obligations that would not otherwise be necessary or issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary.

16. Prohibited Uses of Proceeds; Federal Guarantees.

16.1 None of the Proceeds of the Bonds will be used (directly or indirectly) to acquire any "nongovernmental output property" as defined in Section 141(d) of the Code or to make or finance loans to persons other than Governmental Units, other than (i) loans which enable the borrower to finance any governmental tax or assessment of general application for specific essential governmental functions or (ii) loans which consist of investments in Nonpurpose Investments.

16.2 Not more than an amount which is less than 5% of the Proceeds of the Bonds or Refunded Bonds will be used to finance Output Facilities other than facilities for furnishing water, any portion of the output of which is dedicated to or otherwise made available for use by persons other than Governmental Units on a basis other than that provided to the general public.

16.3 Not more than 10% of the Proceeds of the Bonds will be used (directly or indirectly) in a trade or business (or to finance facilities which are used in a trade or business) carried on by any person other than a Governmental Unit. Not more than 5% of the Proceeds of the Bonds or the Refunded Bonds will be used (directly or indirectly) in a trade or business (or to finance facilities which are used in a trade or business) carried on by any person other than a Governmental Unit which private business use is not related to any governmental use or is disproportionate to governmental use, all as described in Section 141(b)(3) of the Code ("Unrelated or Disproportional Use"). For the purpose of this Subsection, use as a member of the general public shall not be taken into account.

16.4 The immediately preceding Subsection shall apply only if the payment of 10% or more (5% more in the case of Unrelated or Disproportional Use) of the principal of or interest on the Bonds or the Refunded Bonds is (under the terms of the Bonds or any underlying arrangement) directly or indirectly secured by any interest in property used or to

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

16.5 The payment of the principal of and interest on the Bonds is not and will not be guaranteed directly or indirectly by the federal government within the meaning of Section 149(b) of the Code.

16.6 Not more than 50% of the Proceeds of the Bonds allocable to the Project will be invested in Nonpurpose Investments having a substantially guaranteed Yield for 4 or more years.

16.7 None of the amount received from the sale of the Bonds will be used to refund or refinance any Tax-Exempt Obligations including, for the purposes of this Subsection only, Tax-Exempt Obligations which are specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

16.8 The District does not expect to sell or otherwise dispose of the Project before final retirement of the Bonds.

16.9 The District hereby designates the Bonds as qualified tax- exemption obligations for purposes of Section 265(b)(3)(B) of the Code. The District (including any subordinate entities) does not expect to issue more than \$10,000,000 of tax-exempt obligations during calendar year 2014.

16.10 This Certificate is, in part, to serve as a guideline in implementing the requirements of Sections 141 to 150 of the Code. If regulations, rulings, announcements and notices validly promulgated under the Code contain requirements which differ from those outlined here which must be satisfied for the Bonds to be Tax-Exempt Obligations or in order to avoid the imposition of penalties under Section 148 of the Code, pursuant to the covenants contained in the Resolution, the District is obligated to take such steps as are necessary to comply with such requirements. If under those pronouncements, compliance with any of the requirements of this Certificate is not necessary to maintain the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (except to the extent of certain adjustments applicable to corporations) or to avoid the imposition of penalties on the District under Section 148 of the Code, the District shall not be obligated to comply with that requirement. The District has been advised to seek the advice of competent counsel with a nationally recognized

expertise in matters affecting the exclusion of interest on municipal bonds from gross income for Federal income *tax* purposes in fulfilling its obligations under the Code to take all steps as are necessary to maintain the status of the Bonds as Tax-Exempt Obligations.

WITNESS my hand this December 17, 2014.


President

EXHIBIT A

DEFINITIONS

A.1 “Available Construction Proceeds” means, with respect to the Bonds, the amount equal to the sum of the issue price of the Bonds, earnings on the issue price, earnings on any amounts in a Reserve or Replacement Fund not funded by the Bonds and earnings on all of the foregoing earnings, less the amount of the issue price deposited in a Reserve or Replacement Fund and less the issuance costs financed by the Bonds. For purposes of this definition, earnings include earnings on any tax-exempt bond. Earnings on any Reserve or Replacement Fund are Available Construction Proceeds only to the extent that those earnings accrue before earlier of (i) the date construction is substantially completed or (ii) the date that is two years after the issue date. For this purpose, the date construction is substantially completed is either the date that the construction financed with the proceeds of the Bonds is substantially complete or the date on which construction is abandoned. In no event, however, will construction be considered substantially completed earlier than the date that the District has spent Available Construction Proceeds on the construction in an amount equal to at least 90% of the total cost of construction that the District reasonably expects as of such date will be financed with proceeds of the Bonds. If only a portion of the construction is abandoned, the date of substantial completion is the date that the non-abandonment portion of the construction is substantially completed.

A.2 “Bond Year” means the one-year period (or, in the case of the first Bond Year, the shorter period from the date of issue of the Bonds) ending on the day in the calendar year that is selected by the District. If no day is selected by the District before the earlier of the final maturity of the Bonds or the date that is five years after the date of issuance of the Bonds, each Bond Year ends at the close of business on the day preceding the anniversary date of the issue date and on the final maturity date.

A.3 “Code” means the Internal Revenue Code of 1986, as amended.

A.4 “Commingled Fund” means any fund or account containing both Gross Proceeds of the Bonds and amounts in excess of \$25,000 that are not Gross Proceeds of the Bonds if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

A.5 “Computation Date” means each date on which the Rebate Amount for the Bonds is computed.

A.6 “Computation Date Credit” means a credit of \$1,000 against the rebatable arbitrage on (i) the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of the Bonds subject to the Rebate Requirement and (ii) the final maturity date for the Bonds.

A.7 “Computation Period” means the period between Computation Dates. The first Computation Period begins on the date hereof and ends on the first Computation Date. Each succeeding Computation Period begins on the date immediately following the Computation Date and ends on the next Computation Date.

A.8 “Construction Expenditures” means capital expenditures (i.e., costs of a type that are properly chargeable to capital account, or that would be so chargeable with a proper election under general federal income tax principles or with the application of the definition of Placed in Service) that, on or before the date the property financed by the expenditures is placed in service, are allocable to the cost of (i) Constructed Personal Property or (ii) Real Property (other than expenditures for the acquisition of any interest in land and the acquisition of any interest in existing Real Property other than land, except that expenditures are not for the acquisition of an interest in existing Real Property other than land if the purchase contract requires the seller to build or install the property (such as under a “turnkey contract”) and the property has not been built or installed at the time the parties enter into the contract, provided that, if the property has been partially built or installed at the time the parties enter into the contract, expenditures that are allocable to the portion of the property built or installed before that time are expenditures for the acquisition of existing Real Property).

A.9 “Constructed Personal Property” means Tangible Personal Property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if a substantial portion of the property or properties is completed more than 6 months after the earlier of the date construction or rehabilitation commenced and the date the District entered into an acquisition contract based on the reasonable expectations of the District, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the District) could not have occurred within that 6-month period and if the District itself builds or rehabilitates the property, not more

than 75% of the capitalizable cost is attributable to property acquired by the District (such as components, raw materials, and other supplies).

A.10 “Governmental Unit” means a state or political subdivision thereof. Such term does not include the United States or any agency or instrumentality thereof.

A.11 “Gross Proceeds” means the Proceeds of the Bonds and any Replacement Proceeds for the Bonds.

A.12 “Investment Proceeds” means any amounts actually or constructively received from investing Proceeds of the Bonds.

A.13 “Investment Property” means any security or obligation within the meaning of Section 148(b)(2) of the Code, any annuity contract, any interest in any residential rental property for family units which is not located within the jurisdiction of the District, any “specified private activity bond” within the meaning of Section 57(a)(5)(c) of the Code and any other Investment-Type Property.

A.14 “Investment-Type Property” means any property that is held principally as a passive vehicle for the production of income. A prepayment for property or services is Investment-Type Property if a principal purpose for prepaying is to receive an investment return from the time the prepayment is made until the time payment would otherwise be made. A prepayment is not Investment-Type Property if prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the District but who are not beneficiaries of tax-exempt financing.

A.15 “Multipurpose Issue” means an issue that is used for two or more separate governmental purposes.

A.16 “Net Sale Proceeds” means Sale Proceeds, less the portion of those Sale Proceeds invested in a Reserve or Replacement Fund.

A.17 “Nonpurpose Investment” means any Investment Property that is not a Purpose Investment.

A.18 “Output Facility” means electric and gas generation, transmission, distribution, and related facilities, and water collection, storage and distribution facilities.

A.19 “Payment” means:

(i) amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a Commingled Fund);

(ii) in the case of a Nonpurpose Investment that is first allocated to the Bonds on a date after it is actually acquired (e.g., an investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that becomes subject to the Rebate Requirement on a date after it is actually acquired (e.g., an investment allocated to a Reserve or Replacement Fund for a construction issue at the end of the two year spending period), the Value of that investment on that date;

(iii) in the case of a Nonpurpose Investment that was allocated to an issue at the end of the preceding Computation Period, the Value of that Nonpurpose Investment at the beginning of the Computation Period; and

(iv) the Computation Date Credit.

A.20 "Present Value" in general means with respect to an investment on any date an amount equal to the present value of all unconditionally payable Receipts to be received from and Payments to be paid for the investment after that date, using the Yield of the investment as the discount rate. Present value of an investment is computed under the economic accrual method, using the same compounding interval and financial conventions used to compute the Yield of the Bonds.

A.21 "Pre-issuance Accrued Interest" means amounts representing interest that has accrued on the Bonds for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the date hereof.

A.22 "Proceeds" of the Bonds means any Sale Proceeds, Investment Proceeds and Transferred Proceeds.

A.23 "Purpose Investment" means an investment that is acquired to carry out the governmental purpose of the Bonds.

A.24 "Qualified Administrative Costs" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, but not legal and accounting fees, record keeping, custody or similar costs. For a guaranteed investment contract, a broker's commission paid on behalf of either an issuer or the provider is not a Qualified Administrative Cost to the extent that the commission exceeds the lesser of (i) \$35,000 and (ii) 0.2% of the amount of Gross Proceeds the issuer

reasonably expects, as of the date the contract is acquired, to be deposited in the guaranteed investment contract over the term of the contract or, if more, \$3,000.

A.25 “Real Property” means land and improvements thereto, such as buildings or other inherently permanent structures, including interests in real property. For example, Real Property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges and sewage lines.

A.26 “Reasonable Retainage” means an amount, not to exceed 5 percent of Available Construction Proceeds as of the end of the fourth spending period, that is retained for reasonable business purposes relating to the property financed with the proceeds of the Bonds, such as to ensure or promote compliance with the terms of a construction contract. Retainage is reasonable if the retained amount is not yet payable, or, at the end of the 2-year period following the issue date, the District determines that an actual dispute exists regarding either completion of construction or payment.

A.27 “Rebate Amount” means the amount computed as described in Exhibit B.

A.28 “Rebate Requirement” shall have the meaning ascribed thereto in Section 13.

A.29 “Receipt” means:

(i) amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a Commingled Fund);

(ii) in the case of a Nonpurpose Investment that ceases to be allocated to the Bonds before its disposition or redemption date (e.g., an investment that becomes allocable to Transferred Proceeds of another issue or that ceases to be allocable to the Bonds pursuant to the Universal Cap) or that ceases to be subject to the Rebate Requirement on a date earlier than its disposition or redemption date (e.g., an investment allocated to a fund initially subject to the Rebate Requirement but that subsequently qualifies as a bona fide debt service fund), the Value of that Nonpurpose Investment on that date; and

(iii) in the case of a Nonpurpose Investment that is held at the end of a Computation Period, the Value of that Nonpurpose Investment at the end of that Computation Period.

A.30 "Regulations" means the Treasury Regulations promulgated under Sections 103 and 141 through 150 of the Code, and to the extent applicable, any subsequent amendments to such regulations or any successor regulations.

A.31 "Replacement Proceeds" means amounts that have a sufficiently direct nexus to the Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Bonds were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on the Bonds if there is reasonable assurance that the amount will be available for such purposes in the event that the District encounters financial difficulties.

A.32 "Reserve or Replacement Fund" includes any reasonably required reserve or replacement fund (as described in Section 148(d) of the Code), any fund reasonably expected to be used to pay the principal of or interest on the Bonds (including any sinking fund, as defined in Regulation Section 1.148-1(b), for the Bonds and any bona fide debt service fund, as defined in Regulation Section 1.148-1(c)(2)), any fund pledged directly or indirectly to the payment of the Bonds in such a manner that the owners of the Bonds have a reasonable assurance that the fund will be available to directly or indirectly pay debt service on the Bonds if the District encounters financial difficulties, and any other amounts treated as being in a reserve or replacement fund by the Regulations.

A.33 "Sale Proceeds" means any amounts actually or constructively received by the District from the sale of the Bonds, including amounts or compensation and interest other than Pre-issuance Accrued Interest.

A.34 "Specially Developed Computer Software" means any program or routine used to cause a computer to perform a desired task or set of tasks, together with the

documentation required to describe and maintain such program, provided that the software is specially developed and is functionally related and subordinate to real property or other Constructed Personal Property.

A.35 "Tangible Personal Property" means any tangible property except Real Property and includes interests in tangible personal property, (e.g., machinery that is not a structural component of a building and furnishings).

A.36 "Tax-Exempt Obligation" means any obligation the interest on which is excluded from gross income under Section 103(a) of the Code and which is not a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. Such term includes an interest in a regulated investment company to the extent that at least 95 percent of the income to the holder of the interest is interest that is excludable from gross income under Section 103(a) of the Code.

A.37 "Universal Cap" means the Value of all the outstanding principal amount of the Bonds.

A.38 "Value (of a Bond)" means with respect to the Bonds, the outstanding principal amount plus accrued unpaid interest.

A.39 "Value (of an Investment)" means any of the following:

(i) with respect to an investment with not more than two percent original issue discount or original issue premium, the outstanding stated principal amount, plus accrued unpaid interest;

(ii) with respect to a fixed rate investment, its Present Value;

(iii) except as provided in (iv), with respect to any investment, its fair market value; or

(iv) with respect to any Yield restricted investment, its Present Value.

A.40 "Yield of the Bonds" means the discount rate that, when used in computing the Present Value as of the issue date of the Bonds of all unconditionally payable payments of principal, interest and fees for qualified guarantees reasonably expected to be paid on the Bonds, produces an amount equal to the Present Value, using the same discount rate of the aggregate issue price of the Bonds as of the issue date. Mandatory and expected contingent

redemptions are taken into account, based on reasonable expectations as of the issue date. If the Bonds are subject to mandatory redemption and have a stated redemption price at maturity in excess of one-fourth of one percent multiplied by the product of the stated redemption price at maturity and the number of years to its weighted average maturity date (determined by taking into account the mandatory redemption schedule), then, in computing the Yield of the Bonds, the Bonds are treated as redeemed at their Present Value; otherwise the Bonds are treated as redeemed at their outstanding stated principal amount plus accrued unpaid interest. Optional redemptions are not taken into account in determining the Yield of the Bonds unless they satisfy one of the three following conditions:

(i) The Bonds are subject to optional redemption within 5 years of the issue date and the Yield of the Bonds computed by assuming the Bonds are redeemed at maturity is more than one-eighth of one percent higher than the Yield of the Bonds computed by assuming the Bonds are redeemed at the earliest date for their redemption;

(ii) The Bonds are issued at an issue price that exceeds the stated redemption price at maturity by more than one-fourth of one percent multiplied by the product of the stated redemption price at maturity and the number of complete years to the first optional redemption date (e.g., an original issue premium in excess of 2.5% in the case of 10-year no call Bond); or

(iii) The Bond subject to optional redemption bears interest at an increasing interest rate (i.e., a stepped coupon bond).

A.4.1 "Yield of an Investment" means the discount rate that, when used in computing the Present Value of all unconditionally payable Receipts from the investment, produces an amount equal to the Present Value of all unconditionally payable payments for the investment. Unless otherwise decided by the District, the Yield of any investments and the Yield of the Bonds shall be calculated using a 360-day year and a semi-annual compounding interval.

EXHIBIT B

REBATE

B.1 Generally. In order to implement the provisions of Section 148(f) of the Code, the District has established the 2014A Rebate Fund into which will be deposited any amount required to be rebated to the federal government pursuant to Section 148(f) of the Code. Section 148(f) of the Code requires that certain earnings on Nonpurpose Investments allocable to the Gross Proceeds of the Bonds be paid to the federal government to prevent the Bonds from being arbitrage bonds. The arbitrage that must be rebated is based on the difference between the amount actually earned on Nonpurpose Investments and the amount that would have been earned if those investments had a Yield equal to the Yield of the Bonds. As of any date, the Rebate Amount for the Bonds is the excess of the future value, as of that date, of all Receipts on Nonpurpose Investments over the future value, as of that date, of all Payments on Nonpurpose Investments (taking into account that the Computation Date Credit is a Payment on Nonpurpose Investments). The future value of a Payment or Receipt at the end of any period is determined using the economic accrual method and equals the value of that Nonpurpose Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield of the Bonds, using the same compounding interval and financial conventions used to compute the Yield of the Bonds. In order to meet the Rebate Requirement of the Code, unless Subsection B.10, B.11, or B.12 applies or unless during each Bond Year all Gross Proceeds are invested at a Yield that is less than the Yield of the Bonds or are invested in Tax-Exempt Obligations, the District will comply with and take the action required by this Section.

B.2 Computation Dates. The District may treat any date as a Computation Date. After the first required rebate payment is made, the District must consistently treat either the end of each Bond Year or the end of each fifth Bond Year as Computation Dates and may not change these Computation Dates after the first rebate payment is made.

B.3 Final Computation Date. The date that the Bonds are discharged is the Final Computation Date. If the Bonds are retired within three years of the issue date, however, the Final Computation Date need not occur before the end of 8 months after the issue date or

during the period in which the District reasonably expects that any of the spending exceptions to the Rebate Requirement will apply to the Bonds.

B.4 Amount of Required Rebate Installment Payments. For Computation Dates other than the Final Computation Date, the District must rebate an amount that when added to the future value, as of that Computation Date, of previous rebate payments made for the Bonds, equals at least 90 percent of the Rebate Amount as of that date. In all events, the first rebate payment must be made for a Computation Date that is not later than five years after the issue date and subsequent payments must be made for a Computation Date that is not later than five years after the previous Computation Date for which a payment was made. For the Final Computation Date, a final rebate payment must be paid in an amount that, when added to the future value of previous rebate payments made for the Bonds, equals 100 percent of the Rebate Amount as of that date. The District's obligation to make such deposits and to make payments to the United States as provided below is a special obligation of the District, payable only from investment income earned on investments of Gross Proceeds and other funds, to the extent appropriated therefor, there being no obligation on the District to appropriate any funds other than such investment income. The obligation to make deposits into the 2014A Rebate Fund and payments to the United States does not constitute a debt or indebtedness of the District under any Charter, constitutional or statutory provisions applicable to the District. In the event the District does not appropriate investment income or other funds for the purpose of making deposits into the 2014A Rebate Fund, the District will invest all Gross Proceeds at such a Yield that no deposit into the 2014A Rebate Fund is required.

B.5 Bona Fide Debt Service Fund Exception. As the Bonds are not private activity bonds and have a fixed rate of interest, amounts earned on moneys in the 2014A Bond Fund shall not be taken into account for purposes of complying with the Rebate Requirement.

B.6 Time and Manner of Rebate Payment. Each rebate payment must be paid no later than 60 days after the Computation Date to which the payment relates. Any rebate payment paid within this 60-day period may be treated as paid on the Computation Date to which it relates. Each payment made pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, UT 84201, and shall be accompanied by Form 8038-T.

B.7 Penalty in Lieu of Loss of Tax Exemption. The failure to pay the correct Rebate Amount when required will cause the Bonds to be arbitrage bonds, unless the Commissioner of Internal Revenue (the "Commissioner") determines that the failure was not caused by willful neglect and the District promptly pays a penalty to the United States. The penalty equals 50 percent of the Rebate Amount not paid when required to be paid, plus interest on that amount. Interest accrues at the underpayment rate under Section 6621 of the Code, beginning on the date the correct Rebate Amount is due and ending on the date 10 days before it is paid. The penalty is automatically waived if the Rebate Amount that the District failed to pay plus interest is paid within 180 days after discovery of the failure, unless the Commissioner determines that the failure was due to willful neglect, or the Bonds are under examination by the Commissioner at any time during the period beginning on the date the failure first occurred and ending on the date 90 days after the receipt of the Rebate Amount.

B.8 Recovery of Overpayment of Rebate. The District may recover an overpayment of the Rebate Amount by establishing to the satisfaction of the Commissioner that the overpayment occurred. An overpayment is the excess of the amount paid to the United States for the Bonds under Section 148 of the Code over the sum of the Rebate Amount for the Bonds as of the most recent Computation Date and all amounts that are otherwise required to be paid under Section 148 of the Code as of the date the recovery is requested. Notwithstanding the preceding sentence, an overpayment may be recovered only to the extent that a recovery on the date that it is first requested would not result in an additional Rebate Amount if that date were treated as a Computation Date. Furthermore, except for overpayments in certain limited circumstances, an overpayment of less than \$5,000 may not be recovered before the Final Computation Date.

B.9 Recordkeeping Requirement. The District must retain records of the determination of its Rebate Requirement until six years after the retirement of the last obligation of the Bonds.

B.10 Six Month Exception to Rebate. Notwithstanding anything in this Section to the contrary, if all of the Gross Proceeds of the Bonds allocable to the Project (other than amounts on deposit in a bona fide debt service fund) have been expended for the Project by no later than the day which is six months after the date of issue of the Bonds, then the Rebate Amount allocable to the Gross Proceeds of the Bonds allocable to the Project shall be zero until

such time as amounts are received, which amounts are held in a sinking fund or any other fund pledged to or expected to be used to pay debt service or such time as any other amounts are pledged as security for the Bonds, and not expended on the payment of principal or interest on the Bonds within 13 months of the date of their receipt. The six-month exception provided by the previous sentence shall apply in the event that Gross Proceeds of the Bonds allocable to the Project (other than amounts on deposit in a bona fide debt service fund) in an amount equal to the lesser of five percent of the proceeds of the Bonds allocable to the Project or \$100,000 have not been expended by the date which is six months after the date the Bonds are issued if all of such Gross Proceeds are expended within one year of the date the Bonds are issued. The six-month exception provided by this Subsection is inapplicable if any reserve fund, sinking fund or pledged fund other than a debt service fund is maintained for the Bonds, whether or not funded from proceeds of the Bonds, except that if a Reserve or Replacement Fund (as described in Section 148(d) of the Code) has been established for the Bonds and all of the Gross Proceeds of the Bonds other than amounts in that Reserve or Replacement Fund and amounts deposited in a bona fide debt service fund for the Bonds qualify for the six-month exception described in this Subsection, then the Rebate Amount need only be calculated with respect to all amounts not required to be spent within six months, after such six-month period.

B.11 Two-Year Construction Exception. Notwithstanding anything in this Section to the contrary, if 75 percent of the Available Construction Proceeds of the Bonds are to be used for Construction Expenditures and all of the Available Construction Proceeds of the Bonds are reasonably expected, as of the issue date, to be spent (or, at the election of the District on or before the issue date, are actually spent) for the governmental purposes of the Bonds within 24 months from the date hereof according to the schedule set forth below, then the Available Construction Proceeds and the Gross Proceeds of the Bonds used to pay costs of issuance of the Bonds will not be subject to the Rebate Requirement. The applicable schedule of expenditures is as follows:

- (i) 10 percent within 6 months of the date hereof (the "first spending period"),
- (ii) 45 percent within 1 year of the date hereof (the "second spending period"),

(iii) 75 percent within 18 months of the date hereof (the "third spending period"), and

(iv) 100 percent within 2 years (the "fourth spending period").

If 95 percent of the Available Construction Proceeds are spent within 24 months and the extra five percent is needed as a Reasonable Retainage and such amount is spent within three years of the date hereof, the above schedule will be treated as met. For the first three spending periods described above, Available Construction Proceeds include the amount of future earnings that the District reasonably expected as of the issue date. For the fourth spending period described above, Available Construction Proceeds include the actual earnings received. Earnings that accrue after the end of the 2-year spending period are not part of the Available Construction Proceeds for purposes of this 5 percent limitation, but are part of Available Construction Proceeds for all other purposes of this Subsection. The governmental purposes of the Bonds include payments of interest on but not payments of principal of the Bonds and payments of principal of and interest on other obligations of the District, which interest either (i) accrues on such other obligations during a one-year period including the issue date, (ii) is a capital expenditure as defined in Regulation Section 1.150-1(b), or (iii) is a Working Capital Expenditure.

If the requirements of this two-year exception are not met, the Rebate Requirement is to be calculated as otherwise described in this Section as of the date of issuance. In the event the Bonds satisfy all requirements necessary to qualify for the exemption from the Rebate Requirement described in this Subsection, the District may nevertheless subsequently elect to disregard the available exemption from the Rebate Requirement with respect to the Bonds.

B.12 18-Month Rebate Exception. Notwithstanding anything in this Section to the contrary, if (i) the Gross Proceeds of the Bonds are allocated to expenditures for a governmental purpose of the Bonds within 18 months of the date hereof in accordance with the schedule set forth below, (ii) the Rebate Requirement is met for all amounts not required to be spent in accordance with the 18-month expenditure schedule (as set forth in Regulation Section 1.148-7(c)(3)) (other than earnings on a bona fide debt service fund) and (iii) all of the Gross Proceeds of the Bonds qualify for the initial temporary period under Regulation Section 1.148-

2(e)(2), then the Gross Proceeds of the Bonds will not be subject to the Rebate Requirement. The applicable schedule of expenditures is as follows:

- (i) 15 percent within 6 months of the date hereof (the “first spending period”),
- (ii) 60 percent within 12 months of the date hereof (the “second spending period”), and
- (iii) 100 percent within 18 months of the date hereof (the “third spending period”).

The Bonds will not fail to satisfy the spending requirement for the third spending period as a result of a Reasonable Retainage if the Reasonable Retainage is allocated to expenditures within 30 months of the date hereof. For purposes of this rebate exception, Reasonable Retainage refers to the end of the 18-month period, rather than the 24-month period. For purposes of determining compliance with the first two spending periods set forth above, the amount of investment proceeds included in Gross Proceeds of the Bonds is determined based on the District’s reasonable expectations on the date hereof.

The 18-month rebate exception may not be available for any portion of the Bonds that is treated as meeting the 2-year construction rebate exception described in Subsection B.11 above.

EXHIBIT C

ACCOUNTING AND ALLOCATION RULES

C.1 General Rule. The District may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of the Bonds. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as defined below) and between Fiscal Periods to account for Gross Proceeds of the Bonds and any amounts that are in a Commingled Fund.

C.2 Allocations of Gross Proceeds to an Issue. Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to the issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to Transferred Proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

C.3 Allocation of Gross Proceeds to Investments. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of the Bonds are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. The fair market value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

C.4 Allocation of Gross Proceeds to Expenditures. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method, so long as the method used is consistently applied. An allocation of Gross Proceeds of the Bonds to an expenditure must involve a current outlay of cash for a governmental purpose of the Bonds. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

C.5 Commingled Funds. All Payments and Receipts (including deemed Payments and Receipts) on investments held by a Commingled Fund must be allocated (but not

necessarily distributed) among each different source of funds invested in the Commingled Fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate Payments and Receipts in proportion to either (i) the average daily balances of the amounts in the Commingled Fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the "Fiscal Period"); or (ii) the average of the beginning and ending balances of the amounts in the Commingled Fund from each different source of funds for a Fiscal Period that does not exceed one month.

Funds invested in the Commingled Fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the Commingled Fund, the same ratable allocation method must be used to allocate Payments and Receipts on investments in the Commingled Fund.

Generally a Commingled Fund must treat all its investments as if sold at fair market value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the Commingled Fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a Commingled Fund during a particular fiscal year does not exceed 18 months, and the investments held by the Commingled Fund during that fiscal year consist exclusively of obligations (as defined in Regulation Section 1.150-1(b)); or (ii) the Commingled Fund operated exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer. Subject to the Universal Cap limitation, and the principle that amounts are allocable to only one issue at a time as Gross Proceeds, investments held by a Commingled Fund that serves as a common reserve fund, replacement fund or sinking fund must be allocated ratably among the issues served by the Commingled Fund in proportion to either (i) the relative values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues.

C.6 Universal Cap. Amounts that would otherwise be Gross Proceeds allocable to the Bonds are allocated (and remain allocated) thereto only to the extent that the

Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of the outstanding principal amount of the Bonds. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for the Bonds are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the Bonds. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of the Bonds exceeds the value of the outstanding principal amount of the Bonds, the District should seek the advice of competent counsel with a nationally recognized expertise in matters affecting the exclusion of interest on municipal bonds from gross income for Federal income tax purposes for the procedures necessary to comply with the Universal Cap.

C.7 Expenditure for Working Capital Purposes. Subject to certain exceptions, the Proceeds of the Bonds may only be allocated to “working capital expenditures” as of any date to the extent that those expenditures exceed “available amounts” as of that date (i.e., “proceeds-spent-last”).

For purposes of this Section, “working capital expenditures” include all expenditures other than “capital expenditures.” “Capital expenditures” are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general federal income tax principles. Such costs include, for example, costs incurred to acquire, construct, or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this Section, “available amount” means any amount that is available to the District for working capital expenditure purposes of the type financed by the Bonds. Available amount excludes Proceeds of the Bonds but includes cash, investments and other amounts held in accounts or otherwise by the District for working capital expenditures of the type being financed by the Bonds without legislative or judicial action and without a legislative, judicial, or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a “reasonable working capital reserve” is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of the District in the fiscal year before the year in which the determination of available amounts is made. For purposes of the preceding sentence only, in

determining the working capital expenditures of the District for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any Qualified Administrative Costs; (ii) fees for a qualified guarantee of the Bonds or payments for a qualified hedge for the Bonds; (iii) interest on the issue for a period commencing on the issue date and ending on the date that is one year after the completion date of any capital project funded with the Proceeds of the Bonds; (iv) the United States for Yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the Rebate Requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds and that are directly related to capital expenditures financed by the Bonds (e.g., initial operating expenses for a new capital project); (vi) principal or interest on the Bonds paid from unexpected excess sale or investment proceeds; (vii) principal or interest on an issue paid from investment earnings on a Reserve or Replacement Fund that are deposited in a bona fide debt service fund; and (viii) principal, interest, or redemption premium on a prior issue. Notwithstanding the preceding paragraph, the exceptions described above do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

C.8. Valuation of Investments - Fair Market Value. The fair market value of an investment is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide arm's-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). An investment that is not of a type traded on an established securities market, within the meaning of Section 1273 of the Code, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

C.9 Certificates of Deposit. A certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal shall be treated as purchased at its fair market value if the Yield of the certificate of deposit is not less than (i) the

Yield of reasonably comparable direct obligations of the United States; and (ii) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

C.10 Guaranteed Investment Contracts. The purchase price of a guaranteed investment contract is treated as its fair market value on the purchase date if (i) the District makes a bona fide solicitation for a specified guaranteed investment contract and receives at least three bona fide bids from providers that have no material financial interest in the Bonds (e.g., underwriters or brokers); (ii) the District purchases the highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees); (iii) the Yield of the guaranteed investment contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of tax-exempt bonds; (iv) the determination of the terms of the guaranteed investment contract takes into account as a significant factor the District's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and Reserve or Replacement Funds; (v) the terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and (vi) the obligor on the guaranteed investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract.

C.11 Recordkeeping Requirement. To evidence the fair market value of a guaranteed investment contract, the District must retain the following records with the bond documents until three years after the last outstanding Bond is redeemed:

- (i) a copy of the investment contract;
- (ii) the receipt or other record of the amount actually paid by the Issuer for the guaranteed investment contract, including a record of any administrative costs paid by the Issuer;
- (iii) for each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results; and
- (iv) the bid solicitation form and, if the terms of the purchase agreement or guaranteed investment contract deviated from the bid solicitation form or a

submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO

Procedures for ongoing compliance with Sections 141 and 148 of the Internal Revenue Code

These procedures and the tax certificate and Form 8038-G filed for each issue of tax-exempt bonds will be reviewed by the District President or another officer or employee of the Conservancy District, Pueblo County, Colorado (the "Issuer") designated by the District President in writing (the "Compliance Officer") (i) on or prior to each five-year anniversary date of the issue date of the bonds; (ii) on or within 30 days of the date the bonds are retired, defeased or refunded; (iii) on or prior to the date of any rebate payment made if that date is not within 60 days of one of the dates mentioned in (i) or the date the bonds are retired, defeased or refunded; (iv) at the time of any change in use of any asset that was funded with a material amount of bond proceeds; and (v) at the time of the occurrence or non-occurrence of any other event that could affect the tax status of the Bonds as indicated in the tax certificate (e.g., the occurrence of an event which the tax certificate represents will not occur or is not expected to occur, or the non-occurrence of an event the tax certificate represents will or is expected to occur). In addition, the Compliance Officer will conduct annual compliance checks of the current status of the proceeds of each issue of tax-exempt bonds and the current use of the facilities financed by tax-exempt bonds. These reviews will be made for the purposes of identifying any possible violation of federal tax requirements and to ensure the timely correction of those violations with remedial action described in the regulations of the United States Department of the Treasury or through the Tax-Exempt Bonds Voluntary Closing Agreement Program. If a possible violation is identified, the Compliance Officer will consult with bond counsel as to the appropriate steps to take.

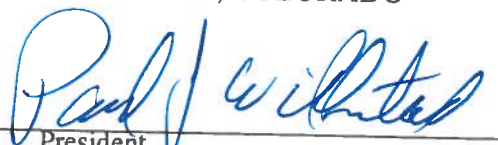
In addition, it is the Issuer's policy to retain rebate consultants to assist in monitoring the compliance of its bond issues with the rebate and yield restriction requirements of Section 148 of the Internal Revenue Code in appropriate circumstances (e.g., where investments are made during a temporary period at a yield in excess of the bond yield, and if any the investments above the bond yield extend beyond the temporary period). If any event of non-compliance is discovered by the Compliance Officer, by the rebate consultants, or otherwise, the Compliance Officer will consult with bond counsel as to the appropriate action to take to remedy the non-compliance, including payment of late payment interest and penalties on rebate and yield reduction payments and through use of the Tax-Exempt Bond Voluntary Closing Agreement Program.

As part of the training of any successor, the District President and Compliance Officer will review the requirements of these procedures, the tax certificate and Form 8038-G for each issue of tax-exempt bonds with the successor as part of the successor's transition into office. Any successor District President will be encouraged to adopt these procedures as his or her own.

The Issuer will retain all records relating to tax-exempt bonds and compliance with the requirements of the Internal Revenue Code until at least three years after the last bond of an issue (or any later issue that refinances the issue) is paid and discharged.

Adopted December 17, 2014.

PUEBLO CONSERVANCY DISTRICT
PUEBLO COUNTY, COLORADO

By: 
President

**BANNER &
BOWER, P.C.**
ATTORNEYS AT LAW

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DONALD J. BANNER

DECEMBER 22, 2014

Pueblo Conservancy District and its
Board of Directors
P.O. Box 234
Pueblo, Colorado 81002
Attn: Rick Kidd, District Engineer

Altman, Keilbach, Lytle, Parlapiano
& Ware, P.C.
229 Colorado Avenue
Pueblo, CO 81004

In Re: \$2,500,000
Pueblo Conservancy District
Pueblo County, Colorado
Conservancy Maintenance Fund
Tax-Exempt Bonds, Series 2014A

Ladies and Gentlemen:

We are general counsel to the Pueblo Conservancy District, Pueblo County, Colorado (the "District"). We are providing this opinion in connection with the issuance of the District's Conservancy Maintenance Fund Tax-Exempt Bonds, Series 2014A, in the aggregate principal amount of \$2,500,000.00 ("Bonds"). The Bonds have been issued and delivered pursuant to and in accordance with the provisions of a resolution adopted by the Board of Directors of the District (the "Board") on December 17, 2014 (the "Bond Resolution"). Except as otherwise expressly defined herein, capitalized terms used herein have the meanings ascribed to such terms in the Bond Resolution.

As counsel to the District, and in connection with the issuance of the Bonds, we are familiar with the instruments relating to the organization of the District, and have also examined the following:

1. **A DULY EXECUTED ORIGINAL OF THE BOND RESOLUTION;**
2. **THE ORDER OF THE DISTRICT COURT FOR THE TENTH JUDICIAL DISTRICT, STATE OF COLORADO, DATED MAY 29, 2007, DISTRICT COURT CASE NO. 67 CV 17644, APPROVING THE AMENDED OFFICIAL PLAN FOR THE PUEBLO CONSERVANCY DISTRICT AND SUBSEQUENT ORDER ON EXPANSION OF DISTRICT BOUNDARY OF THE COURT DATED JANUARY 26, 2013.**

3. A DULY EXECUTED ORIGINAL OF THE PAYING AGENT AND REGISTRAR AGREEMENT, DATED AS OF DECEMBER 22, 2014 (THE "REGISTRAR AGREEMENT"), BETWEEN THE DISTRICT AND THE BANK, AS REGISTRAR AND PAYING AGENT FOR THE BONDS;

4. A DULY EXECUTED ORIGINAL OF THE PURCHASE CONTRACT; AND

5. THE OFFICIAL STATEMENT DATED DECEMBER 22, 2014 (THE "OFFICIAL STATEMENT").

Based upon such examination, and upon the examination of such other documents, records and proceedings as we have deemed reasonable and necessary, it is our opinion as counsel to the District that:

1. THE DISTRICT IS A CONSERVANCY DISTRICT DULY ORGANIZED AND VALIDLY EXISTING UNDER THE PROVISIONS OF THE CONSTITUTION AND LAWS OF THE STATE OF COLORADO, AND IS A QUASI-MUNICIPAL CORPORATION AND A POLITICAL SUBDIVISION OF THE STATE OF COLORADO HAVING POWER AND AUTHORITY TO ISSUE THE BONDS AND TO EXECUTE, DELIVER AND PERFORM ITS OBLIGATIONS UNDER THE BOND RESOLUTION, AND RELATED DOCUMENTS.

2. THE BOARD IS THE ELECTED OR DULY APPOINTED GOVERNING BODY OF THE DISTRICT. DURING THE PERIOD FROM AT LEAST AUGUST 4, 2014 TO AND INCLUDING THE DATE OF THIS OPINION, THE FOLLOWING HAVE BEEN, AND ARE NOW, THE DULY ELECTED OR APPOINTED, QUALIFIED AND ACTING OFFICERS OF THE DISTRICT AND MEMBERS OF THE BOARD:

Paul J. Willumstad	President
Donna F. Phillips	Secretary
Matt Cordova	Treasurer
Bill Alt	Director
Barbara Bernard	Director
Corinne Koehler	Director
Dennis Maroney	Director
Roger "Bud" O'Hara	Director
Ronald Serna	Director

3. THE BOND RESOLUTION HAS BEEN DULY ADOPTED BY THE BOARD, HAS NOT BEEN AMENDED SINCE THE DATE OF ITS ADOPTION WITHOUT THE APPROPRIATE CONSENT AS REQUIRED THEREIN, IS IN FULL FORCE AND EFFECT AS OF THE DATE HEREOF IN THE FORM IN WHICH IT WAS ORIGINALLY ADOPTED, AND CONSTITUTES THE LEGAL, VALID AND BINDING OBLIGATION OF THE DISTRICT ENFORCEABLE IN ACCORDANCE WITH ITS TERMS.

4. THE REGISTRAR AGREEMENT AND PURCHASE CONTRACT HAVE BEEN DULY AUTHORIZED, EXECUTED, AND DELIVERED BY THE DISTRICT AND REPRESENT VALID AND LEGALLY BINDING AGREEMENTS AND OBLIGATIONS OF THE DISTRICT ENFORCEABLE IN ACCORDANCE WITH THEIR RESPECTIVE TERMS.

5. THE OFFICIAL STATEMENT HAS BEEN DULY AUTHORIZED AND EXECUTED BY THE DISTRICT, AND THE DISTRICT HAS DULY AUTHORIZED THE DELIVERY AND DISTRIBUTION OF THE OFFICIAL STATEMENT.

6. THE ISSUANCE, EXECUTION AND DELIVERY OF THE BONDS BY THE DISTRICT, THE ADOPTION OF THE BOND RESOLUTION AND THE EXECUTION AND DELIVERY OF THE REGISTRAR AGREEMENT, AND THE PURCHASE CONTRACT, AND THE PERFORMANCE BY THE DISTRICT OF ITS OBLIGATIONS WITH RESPECT THERETO, WILL NOT RESULT IN A VIOLATION OF ANY APPLICABLE JUDGMENT, ORDER, DECREE, STATUTE, ADMINISTRATIVE REGULATION, CONSTITUTIONAL PROVISION OR ANY AUTHORITY OF THE STATE OF COLORADO AND WILL NOT CONFLICT WITH, RESULT IN A BREACH OF, OR CONSTITUTE A DEFAULT UNDER, ANY BOND, NOTE, RESOLUTION, AGREEMENT OR OTHER INSTRUMENT TO WHICH THE DISTRICT IS A PARTY OR BY WHICH THE DISTRICT IS BOUND.

7. THERE IS NO ACTION, SUIT, PROCEEDING, INQUIRY OR INVESTIGATION AT LAW OR IN EQUITY BEFORE OR BY ANY COURT, GOVERNMENT AGENCY, PUBLIC BOARD OR BODY, PENDING, OR, TO OUR KNOWLEDGE, THREATENED WHICH (I) IN ANY WAY QUESTIONS THE EXISTENCE OF THE DISTRICT OR THE TITLES OF THE OFFICERS OF THE DISTRICT TO THEIR RESPECTIVE OFFICES, (II) SEEKS TO RESTRAIN OR ENJOIN THE ISSUANCE, SALE, EXECUTION OR DELIVERY OF ANY OF THE BONDS, (III) IN ANY MANNER QUESTIONING THE AUTHORITY AND PROCEEDINGS FOR THE ISSUANCE OF THE BONDS OR THE DISTRICT'S OBLIGATIONS OR AFFECTING IN ANY WAY THE RIGHT OR AUTHORITY OF THE DISTRICT TO CARRY OUT THE TERMS AND PROVISIONS OF THE BONDS, THE BOND RESOLUTION, THE REGISTRAR AGREEMENT, OR THE PURCHASE CONTRACT, OR THE TRANSACTIONS CONTEMPLATED THEREBY, (IV) IN ANY WAY CONTESTS OR AFFECTS THE VALIDITY OR ENFORCEABILITY OF THE BONDS, THE BOND RESOLUTION, THE REGISTRAR AGREEMENT, OR THE PURCHASE CONTRACT, OR THE TRANSACTIONS CONTEMPLATED THEREBY, (V) IN ANY WAY CONTESTS OR AFFECTS THE IMPOSITION, COLLECTION, DISTRIBUTION OR APPLICATION OF THE PROCEEDS FROM THE MAINTENANCE FUND ASSESSMENT WHICH IS PLEDGED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS, OR THE USE OF THE PROCEEDS OF THE BONDS FOR THE PURPOSES PROVIDED BY THE BOND RESOLUTION, OR AFFECTING IN ANY WAY THE RIGHT OR AUTHORITY OF THE DISTRICT TO PAY THE BONDS AND THE INTEREST THEREON, OR OTHERWISE TO CARRY OUT THE TERMS AND PROVISIONS OF THE BOND RESOLUTION AND THE COVENANTS AND AGREEMENTS CONTAINED THEREIN, (VI) MAY RESULT IN ANY MATERIAL ADVERSE CHANGE TO THE FINANCIAL CONDITION OF THE DISTRICT, OR (VII) CONTESTS THE COMPLETENESS OR ACCURACY OF THE OFFICIAL STATEMENT OR ANY SUPPLEMENT OR AMENDMENT THERETO OR ASSERTS THAT THE OFFICIAL STATEMENT CONTAINED ANY UNTRUE STATEMENT OF A MATERIAL FACT OR OMITTED TO STATE ANY MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS THEREIN, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING.

The enforceability of the obligations of the District with respect to the Bonds and the covenants of the District which are set forth in the Bond Resolution may be limited by the provisions of bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditor's rights generally or by principles of equity now or hereafter in effect.

BANNER & BOWER, P. C.

By



Donald J. Banner

STATE OF COLORADO)
)
COUNTY OF PUEBLO)

CERTIFICATE OF BOND REGISTRAR,
AND PAYING AGENT

The undersigned officer of American Bank of Commerce, in Pueblo, Colorado (the "Bank"), in connection with the issuance by Pueblo Conservancy District, Pueblo County, Colorado (the "District"), of its Conservancy Maintenance Fund Bonds, 2014 Series A, dated December 22, 2014, in the aggregate principal amount of \$2,500,000.00 (the "Bonds"), hereby certifies as follows:

1. The Bank has been designated as the Bond Registrar and Paying Agent for the Bonds.

2. The Bank has full authority under the laws of the United States of America and its corporate documents to act as Registrar and Paying Agent, and has accepted and does hereby accept the duties of Registrar and Paying Agent under the Paying Agent and Registrar Agreement between the District and the Bank (the "Agreement").

3. On or before the date hereof, the Bank did execute the certificate of authentication appearing on each of Bonds by the signature of an authorized signatory of the Bank, and such Bonds have been fully registered.

4. The individuals whose signatures appear on the certificates of authentication are duly authorized to subscribe such signatures on the Bonds and to act as authorized signatories of the Bank.


5. The undersigned officer of the Bank is duly authorized by all applicable laws, rules, regulations, and corporate documents to make the representations contained herein.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of American Bank of Commerce, in Pueblo, Colorado, this 22 day of December, 2014.

(SEAL)

AMERICAN BANK OF COMMERCE
PUEBLO, COLORADO

By
Its


CEO