

WHEN RECORDED MAIL TO:

**CITY OF SAN LUIS
ATTN: CITY CLERK
P.O. BOX 1170
SAN LUIS, ARIZONA 85349**

2017-22001 RESOLUTION
08/31/2017 08:53:47 AM Pages: 206 Fees: \$108.50
Requested By: SAN LUIS CITY CLERK
Recorded By: mlopez
Robyn Stallworth Piquette County Recorder, YUMA County AZ



The above area is to be reserved for recording information

CAPTION HEADING:

Resolution No. 2007

A resolution of the Mayor and City Council of City of San Luis, Arizona, approving the sale and execution and delivery of pledged excise tax revenue refunding obligations in one or more series evidencing a proportionate interest of the owners thereof in a second excise tax purchase agreement; approving the form and authorizing the execution and delivery of such purchase agreement, a second excise tax trust agreement, an escrow trust agreement, a continuing disclosure undertaking, an obligation purchase contract and other necessary agreements; delegating authority to the Mayor, City Manager and Director of Finance of the city to determine certain matters and terms with respect to the foregoing; adopting post-issuance tax compliance procedures in connection with issuance of obligations of the city; authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this resolution and declaring an emergency.

RECEIVED

2017 SEP 19 A 7 18

CITY OF SAN LUIS
OFFICE OF THE CITY CLERK



Resolution

OFFICE OF THE
MAYOR
CITY OF SAN LUIS

No. 2007

RESOLUTION OF THE MAYOR AND COUNCIL OF CITY OF SAN LUIS, ARIZONA, APPROVING THE SALE AND EXECUTION AND DELIVERY OF PLEDGED EXCISE TAX REVENUE REFUNDING OBLIGATIONS IN ONE OR MORE SERIES EVIDENCING A PROPORTIONATE INTEREST OF THE OWNERS THEREOF IN A SECOND EXCISE TAX PURCHASE AGREEMENT; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH PURCHASE AGREEMENT, A SECOND EXCISE TAX TRUST AGREEMENT, AN ESCROW TRUST AGREEMENT, A CONTINUING DISCLOSURE UNDERTAKING, AN OBLIGATION PURCHASE CONTRACT AND OTHER NECESSARY AGREEMENTS; DELEGATING AUTHORITY TO THE MAYOR, CITY MANAGER AND DIRECTOR OF FINANCE OF THE CITY TO DETERMINE CERTAIN MATTERS AND TERMS WITH RESPECT TO THE FOREGOING; ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE CITY; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND DECLARING AN EMERGENCY.

WHEREAS, the Mayor and Council of the City of San Luis, Arizona (the "City"), have determined to prepay amounts due pursuant to the Loan Repayment Agreement, dated as of February 1, 2009 (the "Obligation Being Prepaid"), entered into between the City and the Greater Arizona Development Authority for the purpose of financing and/or refinancing the costs of the acquisition and renovation of a building containing approximately 84,000 rentable square feet and purchase of land; reimbursement for cost overruns associated with miscellaneous capital improvements for the City; funding deposits, if any, to an agreement reserve fund; and paying costs and expenses incidental and related to the sale and issuance of bonds or other obligations (collectively, the "Prior Project"), by entering into a Second Excise Tax Purchase Agreement, to be dated as of the first day of the month of the dated date of the hereinafter described Obligations established as provided herein (the "Purchase Agreement"), with an entity to be determined by the City Manager or Director of Finance of the City (the "Trustee"), in its separate capacity as "Seller"; and

WHEREAS, in connection with the Purchase Agreement, the Mayor and Council of the City have deemed it necessary and desirable to provide for the sale and execution and

delivery of pledged revenue refunding obligations in one or more series, provided for by this Resolution (the "Obligations"), evidencing proportionate interests of the owners of the Obligations in payments to be made by the City to the Trustee pursuant to the Second Excise Tax Trust Agreement, to be dated as of the first day of the month of the dated date of the Obligations (the "Trust Agreement"), between the Trustee and the City, such payments to be made pursuant to the Purchase Agreement; and

WHEREAS, the payments represented by the Obligations will be secured by amounts received under the Purchase Agreement pursuant to which the City will pledge the revenues from the Excise Taxes and State Shared Revenues (as such terms are defined in the Trust Agreement); and

WHEREAS, the Mayor and Council of the City will receive a proposal from Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the underwriter (the "Underwriter"), and not acting as a municipal advisor as defined in the "Registration of Municipal Advisors" rule promulgated by the United States Securities and Exchange Commission, and has determined that the Obligations should be sold through negotiation to the Underwriter; and

WHEREAS, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (the "Regulations"), issuers of obligations, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes ("Tax-Exempt Obligations"), are required to establish policies and procedures to ensure compliance with the applicable provisions of the Code and the Regulations; and

WHEREAS, it is determined that procedures should be adopted in order to ensure that Tax-Exempt Obligations issued by the City comply with the provisions of the Code and the Regulations (the "Procedures"); and

WHEREAS, there have been presented to the Mayor and Council of the City at the meeting at which this Resolution is being adopted (1) the proposed form of the Purchase Agreement; (2) the proposed form of the Trust Agreement; (3) the proposed form of an Escrow Trust Agreement, to be dated as of the first day of the month of the dated date of the Obligations (the "Escrow Trust Agreement"), with the Trustee, in its separate capacity as escrow trustee (the "Escrow Trustee"), for the establishment of an escrow to pay principal of and interest on the Obligation Being Prepaid and to prepay amounts due pursuant to the Obligation Being Prepaid; (4) the proposed form of a Continuing Disclosure Undertaking, to be dated the date of delivery of the Obligations (the "Undertaking"), from the City necessary for purposes of compliance with Securities and Exchange Commission Rule 15c2-12; (5) the proposed form of the Obligation Purchase Contract, to be dated the date of the sale of the Obligations (the "Purchase Contract"), by and between the City and the Underwriter, for the purchase of the Obligations; (6) the proposed form of the Preliminary Official Statement, to be dated the date of the dissemination thereof (the "Preliminary Official Statement"), relating to the Obligations,

which, as to be revised after the sale of the Obligations, shall constitute the Official Statement, to be dated the date of sale of the Obligations (the "Official Statement"), relating to the Obligations and (7) the proposed form of the Procedures; and

WHEREAS, refinancing the costs of the Prior Project pursuant to the Purchase Agreement is in furtherance of the purposes of the City and in the public interest;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SAN LUIS, ARIZONA, THAT:

Section 1. (a) The execution and delivery of the Obligations in one or more tax-exempt and/or taxable series by the Trustee is approved.

(b) The City Manager or Director of Finance of the City are each authorized to determine on behalf of the City the series name and designation of the Obligations; whether the interest income on each series of the Obligations will be tax-exempt or taxable for federal income tax purposes; whether the Obligations for which the interest income thereon is tax-exempt for federal income taxes may be designated as "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Code; the date the Obligations are to be sold to the Underwriter; the entity which will serve as the Trustee with respect to the Obligations; the total aggregate principal amount of the Obligations which are to be executed and delivered; the date the Obligations are to be dated; the dates on which interest on the Obligations is to be payable and the interest rates per annum the Obligations are to bear; the dates the Obligations are to mature, the principal amounts to mature on such dates and the provisions for prepayment thereof in advance of such dates; the provision for prepayment of the Obligation Being Prepaid (including the amounts and dates of prepayment thereof), the provision for credit enhancement including the funding of a debt service reserve fund and the terms upon which the Obligations are to be sold to the Underwriter (including determinations of price, original issue discount and premium and underwriting compensation); provided, however, that the foregoing determinations shall result in present value savings net of all costs of issuance of at least three percent (3%) of the principal amount of the Obligation Being Prepaid.

(c) The City Manager and Director of Finance of the City are further each authorized to determine on behalf of the City whether the purchase of an insurance policy securing payment of the Obligations or, if a debt service reserve fund is to be funded, a surety bond or other reserve fund guaranty which would be a "qualified guaranty" for purposes of the Internal Revenue Code of 1986, as amended, would be advantageous to the City or the terms of the financing represented by the Obligations. The City Manager and Director of Finance of the City are each authorized to negotiate with and secure, with proceeds of the Obligations or otherwise, such an insurance policy or a reserve fund guaranty, or both, from one or more institutions, the claims-paying ability of which are then

assigned one of the two highest rating categories by a nationally recognized credit rating agency. The Mayor, City Manager and Director of Finance of the City are each authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such insurance policy and/or reserve fund guaranty, including those making provision for the repayment of amounts advanced by the institutions issuing such insurance policy and/or reserve fund guaranty.

(d) The forms and other terms of the Obligations, including the provisions for the signatures, authentication, payment, registration, transfer, exchange, prepayment and number shall be as set forth in the Trust Agreement and are approved.

Section 2. The Obligations are to be sold to the Underwriter pursuant to the terms of the Purchase Contract as such terms are to be determined as provided hereinabove.

Section 3. The form, terms and provisions of the Purchase Agreement, the Trust Agreement, the Escrow Trust Agreement, the Purchase Contract and the Undertaking, in substantially the forms of such documents (including the Obligations and other exhibits thereto) presented at the meeting of the Mayor and Council of the City at which this Resolution is being adopted are approved, with such final provisions, insertions, deletions and changes as determined as provided hereinabove and shall be approved by the Mayor of the City, any other member of the Council, and, in the case of the Purchase Contract, the City Manager, the execution of each such document being conclusive evidence of such approval, and the Mayor of the City or any other member of the Council and, in the case of the Purchase Contract, the City Manager, or the City Clerk, where applicable, are authorized and directed, for and on behalf of the City, to execute and deliver and attest or approve the Purchase Agreement, the Trust Agreement, the Escrow Trust Agreement, the Purchase Contract and the Undertaking and to take all action to carry out and comply with the terms of such documents.

Section 4. The Procedures are hereby adopted to establish policies and procedures in connection with Tax-Exempt Obligations issued by the City to ensure that all applicable post-issuance requirements of the Code and the Regulations needed to preserve the status of such Tax-Exempt Obligations are met. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

Section 5. The distribution of the Preliminary Official Statement by the Underwriter is approved, and the Final Official Statement in substantially the form of the Preliminary Official Statement, with such changes or revisions therein from the form of the Preliminary Official Statement as may be approved by the Mayor of the City or any other member of the Council executing the same, is approved, and the Mayor of the City or any other member of the Council is authorized, empowered and directed, in the name and on behalf

of the City, to execute and deliver the same to the Underwriter and the Mayor of the City, any other member of the Council, the City Manager or Director of Finance of the City is authorized, empowered and directed to execute and deliver instruments confirming that the Preliminary Official Statement is "deemed final" in accordance with Securities and Exchange Commission Rule 15(c)2-12.

Section 6. The Trustee (including in its separate capacities as Seller and the Escrow Trustee) is requested to take any and all action necessary in connection with the execution and delivery of the Purchase Agreement, the Trust Agreement, the Escrow Trust Agreement, the Purchase Contract and the Undertaking and the sale and execution and delivery of the Obligations and is further authorized and directed to take such action as may be reasonable for the administration of the trusts so held by it.

Section 7. The covenants and agreements contained the Purchase Agreement as to the pledge of and the lien on the revenues from the Excise Taxes and State Shared Revenues and the restriction on the issuance of further parity obligations secured by the revenues from the Excise Taxes and State Shared Revenues are approved and confirmed.

Section 8. The Mayor, the City Manager, the Director of Finance and other officers of the City, on behalf of the City, are authorized and directed, without further order of the Mayor and Council of the City, to do all such acts and things and to execute and deliver all such certificates, proceedings, agreements and other documents as may be necessary or convenient to be executed and delivered on behalf of the City, to evidence compliance with, or further the purposes of, all the terms and conditions of this Resolution and the consummation of the transactions contemplated by the Preliminary Official Statement and the Official Statement and as may be necessary to carry out the terms and intent of this Resolution.

Section 9. All actions of the officers and agents of the City which conform to the purposes and intent of this Resolution and which further the sale and execution and delivery of the Obligations as contemplated by this Resolution, whether heretofore or hereafter taken, are ratified, confirmed and approved.

Section 10. If any section, paragraph, clause or phrase of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or phrase shall not affect any of the remaining provisions of this Resolution. All orders, resolutions and ordinances or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any order, resolution or ordinance or any part thereof.

Section 11. The immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety, particularly to refinance the Prior Project on the most attractive terms available to the City, and an emergency is hereby declared to exist, and this Resolution will be in full force and effect from and after its passage by the Mayor and Council of the City and it is hereby excepted from the referendum provisions of the Constitution and laws of the State of Arizona. After any of the Obligations are delivered by the Trustee to the Underwriter and upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Obligations and the interest and premium, if any, thereon shall have been fully paid, cancelled and discharged.

[Remainder of page left blank intentionally.]

PASSED and ADOPTED by the City Council and approved by the Mayor of the City of San Luis, Arizona, this 30th day of August, 2017.



Gerardo Sanchez, Mayor

ATTEST:

um4ops Deputy City Clerk
for Sonia Cornelio, City Clerk

APPROVED AS TO FORM:

Kay Marion Macuil
Kay Marion Macuil, City Attorney

332494407.2-8/23/2017

CERTIFICATION

I hereby certify that the foregoing Resolution No. 2007 was duly passed and adopted by the Mayor and Council of the City of San Luis, Arizona, at a regular meeting held on the 30th day of August, 2017, and the vote was7..... ayes and0..... nays.

UMHropis Deputy City Clerk
for Sonia Cornelio, City Clerk

DRAFT
08/15/17

SECOND EXCISE TAX PURCHASE AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION[???],
as Seller

and

THE CITY OF SAN LUIS, ARIZONA,
as Purchaser

Dated as of _____ 1, 2017

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Term and Payments.....	2
Section 2. Pledge; Limited Obligations.	3
Section 3. Surplus and Deficiency of the Revenues from the Excise Taxes and the State Shared Revenues	4
Section 4. Parity Lien Obligations	4
Section 5. City Control over Revenue Collection.....	5
Section 6. Certain Matters with Respect to the Prior Project	5
Section 7. Providing for Payment	6
Section 8. Term of Agreement.....	7
Section 9. Default; Remedies Upon Default.....	7
Section 10. Assignment.....	9
Section 11. Federal Law Provisions.....	9
Section 12. Covenant as to Conflict of Interest; Other Statutory Restrictions	13
Section 13. Miscellaneous.....	13

SECOND EXCISE TAX PURCHASE AGREEMENT

THIS SECOND EXCISE TAX PURCHASE AGREEMENT, dated as of _____ 1, 2017 (this "Agreement"), by and between the CITY OF SAN LUIS, ARIZONA, a municipal corporation under the laws of the State of Arizona (the "City"), as purchaser hereunder, and U.S. BANK NATIONAL ASSOCIATION, a national banking association authorized to execute trust powers in the State of Arizona, as trustee under the Second Excise Tax Trust Agreement, dated as of even date herewith (the "Trust Agreement"), but in its separate capacity as seller (the "Seller") hereunder,

WITNESSETH:

WHEREAS, the Mayor and Council of the City have determined that it will be beneficial to its citizens for the City to refinance the costs of the Prior Project (as such term and all other terms not otherwise defined herein are defined in the Trust Agreement); and

WHEREAS, for the purpose of refinancing the costs of the Prior Project, the Mayor and Council of the City requested that the Trustee sell and execute and deliver the Obligations and the Trustee has, as described in the Trust Agreement, caused a deposit to be made to the Costs of Issuance Fund and a transfer to be made to the Escrow Trustee; and

WHEREAS, the City is a municipal corporation duly incorporated and validly existing under the laws of the State; the Constitution and the laws of the State authorize the City to enter into this Agreement and the transactions contemplated by this Agreement; the City has duly authorized and executed this Agreement; this Agreement is a lawful, valid and binding obligation of the City, enforceable against the City in accordance with its terms; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; the Payments will be paid when due out of funds which are legally available for such purposes; neither the execution and delivery of this Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City; the Prior Project complies with all applicable environmental laws, rules and regulations (including, without limitation, all federal, state and local laws) and with Title III of the Americans with Disabilities Act and the regulations issued thereunder by the United States Department of Justice concerning accessibility of places of public accommodation and commercial facilities if and to the extent such Act and regulations apply to the Prior Project; and

WHEREAS, the Seller has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to the execution and delivery hereof;

NOW THEREFORE, pursuant to law and for and in consideration of the mutual covenants hereinafter contained, it is hereby agreed as follows:

Section 1. Term and Payments.

(a) In order to refinance the costs of the Prior Project which have not been paid to date pursuant to the terms hereof, the City hereby sells and conveys any interests it has in the Prior Project to the Seller, without warranty, for the sum of \$10.00 and other valuable consideration had and received. For the amounts payable pursuant hereto (including the Payments), the Seller in turn hereby sells and conveys back to the City, without recourse, representation or warranty, and the City hereby purchases from the Seller, any interests the Seller has in the Prior Project. (The City acknowledges that the right of the Trustee to sell the Prior Project arises out of the deposit pursuant to the Escrow Trust Agreement for the benefit of the City.)

(b) As the purchase price, the City shall pay the Payments to the Seller. (The Interest Portion is interest for purposes of the Code.)

The City shall also pay to the Seller its fees and expenses in accordance with the provisions of the Trust Agreement and to the United States of America any amounts required by Section 11(b)(ii).

The City shall further also pay all amounts necessary for compliance with the Continuing Disclosure Undertaking.

The City shall receive a credit against amounts so due, equal to any amounts held in the Payment Fund in excess of the amount then required to be in the Payment Fund. If the balance available in the Payment Fund after a Payment is insufficient to make the next required payments of principal and interest due on the Obligations on the next date for payment thereof, the City shall pay any such deficiency in sufficient time to prevent default in the payment of principal or interest on the Obligations falling due on such date.

[The City shall further also pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Agreement or the Trust Agreement ("Administrative Costs"). For purposes of the foregoing, Administrative Costs shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The City agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semiannually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Notwithstanding anything herein to the contrary, the City shall further also pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Policy ("the Insurer

Policy Payment”) and (ii) interest on such the Insurer Policy Payments from the date paid by the Insurer until payment thereof in full by the City, payable to the Insurer at the Late Payment Rate per annum (collectively, “the Insurer Reimbursement Amounts”) compounded semiannually. The City hereby covenants and agrees that the Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the revenues from the Excise Taxes and the State Shared Revenues on a parity with debt service due on the Obligations.]

(c) This Agreement shall be deemed and construed to be a “*net purchase agreement*,” and the Payments shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein. The obligation of the City to pay the amounts described in paragraph (b) hereof (including the Payments) from the sources described herein and to comply with the other provisions hereof shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by the Seller of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Seller. Until such time as all of the payments described in paragraph (b) hereof (including the Payments) shall have been fully paid or provided for, the City (i) shall not suspend or discontinue the same, (ii) shall comply with the other provisions hereof and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Prior Project, the taking by *eminent domain* of title to or temporary use of any or all of the Prior Project, commercial frustration of purpose, abandonment of the Prior Project by the City, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. Nothing contained in this Section shall be construed to release the Seller from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event the Seller shall fail to perform any such agreements on its part, the City may institute such action against the Seller as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the first sentence of this paragraph.

(d) Any of the payments described in paragraph (b) hereof (including the Payments) due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

(e) Amounts payable to the Seller shall be paid by means instructed to the City in writing.

Section 2. Pledge; Limited Obligations.

(a) The revenues from the Excise Taxes and the State Shared Revenues have been pledged by the City to the payment of all amounts described in Subsection 1(b) hereof (including the Payments), and payment of such amounts shall be secured by a paramount and first lien on and pledge of the revenues from the Excise Taxes and the State Shared Revenues on parity with the pledge and lien hereby granted by the City for the payment

and security of the First Purchase Agreement and the other of the Parity Lien Obligations. All of the Payments are coequal as to the pledge of and lien on the revenues from the Excise Taxes and the State Shared Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from the revenues from the Excise Taxes and the State Shared Revenues or security therefor.

(b) The City shall remit to the Seller from the revenues from the Excise Taxes and the State Shared Revenues all amounts due under this Agreement in the amounts and at the times and for the purposes as required herein. The obligation of the City to make payments of any amounts due under this Agreement, including amounts due after default hereof, is limited to payment from the revenues from the Excise Taxes and the State Shared Revenues and shall under no circumstances constitute a general obligation or a pledge of the full faith and credit of the City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

(c) The City may, at the sole option of the Mayor and Council of the City, make payments due pursuant to Section 1 hereof from its other funds as permitted by law and as the City shall determine from time to time, but the Seller acknowledges that it has no claim hereunder to such other funds. No part of the purchase price payable pursuant to this Agreement shall be payable out of any *ad valorem* property taxes imposed by the City or from bonds or other obligations, the payment of which the City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by the City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State.

Section 3. Surplus and Deficiency of the Revenues from the Excise Taxes and the State Shared Revenues. Subject to the rights with respect to the revenues from the Excise Taxes and the State Shared Revenues with respect to the First Purchase Agreement and the other of the Parity Lien Obligations, the revenues from the Excise Taxes and the State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Seller for payments due under this Agreement shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of obligations to which the revenues from the Excise Taxes and the State Shared Revenues may from time to time be pledged on a basis subordinate hereto. If at any time the moneys in the funds held for payment of amounts due under this Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of this Agreement and, with respect to payment from the revenues from the Excise Taxes and the State Shared Revenues, *pro rata*, with amounts due with respect to the First Purchase Agreement and the other of the Parity Lien Obligations, and the transfer of any such sum or sums to said fund as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 4. Parity Lien Obligations. The City shall not encumber the revenues from the Excise Taxes on a basis prior or paramount to the lien and pledge provided for under

Section 2(a) hereof. So long as any amounts due hereunder remain unpaid or unprovided for, the City shall not further encumber the revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge hereunder unless the revenues from the Excise Taxes plus the State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the City, shall have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the City for the First Purchase Agreement, this Agreement and the other of the Parity Lien Obligations secured or so proposed to be secured by such pledge of the revenues from the Excise Taxes and the State Shared Revenues on a parity of lien therewith. For purposes of this Section, any variable rate indebtedness shall be assumed to bear interest at the maximum permissible rate.

Section 5. City Control over Revenue Collection. To the extent permitted by applicable law, the revenues from the Excise Taxes shall be retained and maintained so that the amounts received from the revenues from the Excise Taxes and the State Shared Revenues, when combined mathematically for such purpose only, all within and for the most recently completed fiscal year of the City, shall have been equal to at least two (2) times the total of interest and principal requirements for the current fiscal year of the City for the First Purchase Agreement, this Agreement and the other of the Parity Lien Obligations. If the revenues from the Excise Taxes and the State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1-1/4) times the total of the interest and principal requirements for the current fiscal year of the City for the First Purchase Agreement, this Agreement and the other of the Parity Lien Obligations or if at any time it appears that the revenues from the Excise Taxes and the State Shared Revenues will not be sufficient to meet such requirements, the City shall, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which will be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed fully sufficient at all times, after making allowance for contingencies and errors, in each fiscal year of the City in order that (a) the revenues from the Excise Taxes and the State Shared Revenues will be sufficient to meet all current requirements hereunder and (b) the revenues from the Excise Taxes and the State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this subsection.

Section 6. Certain Matters with Respect to the Prior Project.

(a) Except with respect to its power and authority to enter into this Agreement and to perform its covenants hereunder, the Seller has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Prior Project for any particular purpose or the conformity of the Prior Project to any plans, specifications, construction contract, purchase order, model or sample, or as to their design, construction, delivery, installation, construction oversight and operation or their suitability for use by the City after completion. All such risks shall be borne by the City without in any way excusing the City from its obligations under this Agreement, and the Seller shall not be liable to the City for any damages on account of such risks. Except with respect to any acts by the Seller which are not undertaken at the request of the City or with the prior approval of the City, the City waives all claims against the Seller growing out of the acquisition of the Prior Project. The Seller shall have no liability to the City for any failure of any contractor to perform any contract or other undertaking with respect to the Prior Project in

any respect. The Seller shall have no obligation to obtain or insure compliance with any required permits or approval procedures with respect to the Prior Project. In the event of any defect in any item of the Prior Project or other claim with respect to the Prior Project, recourse of the City shall be against the contractors, manufacturers, suppliers, etc. of the Prior Project and, where applicable, the person selling the property to the Seller, and not against the Seller. For such purpose, the Seller hereby assigns and transfers to the City the right, title and interest of the Seller in and to all representations, warranties, guarantees and service agreements relating to the Prior Project made or entered into by the Seller and by any contractor, manufacturers, suppliers, etc. of the Prior Project. The Seller further designates the City as its attorney-in-fact granting to the City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements with the same force and effect as the Seller could do if the foregoing assignment had not been made. The Seller is entering into this Agreement solely as the Seller, shall not be personally liable hereunder and shall be afforded the same rights, protections, immunities and indemnities acting hereunder as afforded to it as the Trustee under the Trust Agreement. Notwithstanding anything to the contrary herein, at no time shall the Seller be listed in the chain of title to the Prior Project. Provisions governing the rights, immunities and protections of the Trustee under the Trust Agreement are herein incorporated by reference into this Agreement as though fully set forth herein.

(b) The Seller hereby irrevocably appoints the City as its sole and exclusive agent to act for and on behalf of the Seller in refinancing the costs of the Prior Project. As such agent, the City shall have full authority to do all things necessary to bring about the refinancing of the costs of the Prior Project. The Seller shall not be liable, responsible or accountable for the acts of the City as its agent hereunder, and the City hereby assumes all responsibility for the performance of such duties.

(c) The City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Agreement, peaceably and quietly, have, hold and enjoy the Prior Project, without suit, trouble or hindrance from the Seller. The City hereby grants and conveys to the Seller, and all persons claiming by, through or under the Seller, including its successors and assigns under the Trust Agreement and the Owners for whom it acts, a nonexclusive easement upon, in and to the Prior Project for the purpose of permitting the Prior Project to be maintained upon the premises.

(d) Notwithstanding any other terms or provisions of this Agreement, the interest of the Seller in the Prior Project is solely in its capacity as the Seller for the purpose of facilitating the refinancing of the Prior Project, and the Seller shall not have the power, authority or obligation to assume any responsibility for the overall management or maintenance of the Prior Project, including, without limitation, any day-to-day decision-making or operational aspects of the Prior Project.

Section 7. Providing for Payment. The City may provide for the payment of the Payments in any one or more of the following ways:

(a) by paying the Payments as provided herein as and when the same become due and payable at their scheduled due dates pursuant to Section 1 hereof or on a date on which they can be prepaid;

(b) by depositing with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Seller and available for the Payments is fully sufficient to make, or cause to be made, the Payments at their scheduled due dates or on a date on which they can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are noncallable, in such amount as shall be certified to the Seller and the City, by a national firm of certified public accountants acceptable to the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Seller and available for the Payments, to make, or cause to be made, the Payments at their scheduled due dates or on a date on which they can be prepaid.

Upon any partial prepayment of a Payment, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial prepayment so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

Section 8. Term of Agreement. This Agreement shall not terminate so long as any payments are due and owing pursuant to the Obligations. Subject to Section 7 hereof, upon full payment or provision for payment and in consideration of the timely payment of all of the amounts described in Subsection 1(b) hereof (including the Payments) and provided that the City has performed all the covenants and agreements required by the City to be performed, this Agreement shall cease and expire. The obligations of the City under this Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in the next Section hereof, and the City shall continue to pay the Payments and perform all other obligations provided in this Agreement; provided, however, that the City shall be credited with any amount received by the Seller pursuant to actions brought under the next Section hereof.

Section 9. Default; Remedies Upon Default.

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the amounts described in Subsection 1(b) hereof (including the Payments) at the time when the same are to be paid as provided herein or in the Trust Agreement, (B) the violation by the City of any other covenant or provision of this Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to the First Purchase Agreement or the other of the Parity Lien Obligations or (D) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of any of the amounts described in Subsection 1(b) hereof (including the Payments) as required hereunder or under the Trust Agreement on the due date or the nonpayment of principal or interest due with respect to the First Purchase Agreement or the other of the Parity Lien Obligations on their due dates; (B) in the case of the breach of any other covenant or

provision of the Trust Agreement or this Agreement not cured within sixty (60) days after notice in writing from the Seller specifying such default and (C) in the case of any other default under the First Purchase Agreement or the other of the Parity Lien Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement and the Continuing Disclosure Undertaking, the Seller may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the City under the Trust Agreement or this Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement or covenant of the City under the Trust Agreement or this Agreement, and with respect to the revenues from the Excise Taxes and the State Shared Revenues, without notice and without giving any bond or surety to the City or anyone claiming under the City, have a receiver appointed of the revenues from the Excise Taxes and the State Shared Revenues which are pledged to the payment of amounts due hereunder, with such powers as the court making such appointment shall confer (and the City does hereby irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

Each right, power and remedy of the Seller provided for in this Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein, or, unless prohibited by the terms hereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by the Seller of any one or more of the rights, powers or remedies provided for herein or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies. The failure to insist upon strict performance of any of the covenants or agreements herein set forth shall not be considered or taken as a waiver or relinquishment for the future of the rights of the Seller to insist upon a strict compliance by the Seller with all the covenants and conditions hereof. The City shall, upon not less than 10 days' prior request by the Seller, execute, acknowledge and deliver to the Seller a statement in writing certifying that this Agreement is unmodified and in full force and effect (or, if this Agreement has been modified, that it is in full force and effect except as modified, and stating the modification), and the dates to which the amounts payable hereunder have been paid in advance, if any.

(b) The Seller shall in no event be in default in the performance of any of its obligations hereunder unless and until the Seller shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by the City properly specifying wherein the Seller has failed to perform any such obligation. No default by the Seller shall relieve the City of its obligations to make the various payments herein required, so long as any of the Obligations remain outstanding; however, the City may exercise any other remedy available at law or in equity to require the Seller to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made by the Seller under the Trust Agreement.

Section 10. Assignment.

(a) Except as otherwise provided herein, the City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement or any interest therein, and any assignment in contravention hereof shall be void.

(b) Subject to the terms of the Trust Agreement, all and every part of the right, title and interest of the City in and to this Agreement and all payments of any kind due or which become due to the Seller hereunder are sold, pledged, assigned and transferred pursuant to the Trust Agreement.

Section 11. Federal Law Provisions.

(a) (i) As described in further detail in the Tax Certificate, no direction for the making of any investment or other use of the proceeds of any of the Tax-Exempt Obligations or of the Prior Project shall be made or omitted from being made which would cause the Tax-Exempt Obligations to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the requirements of such sections and related regulations of the Code shall be complied with throughout the term of the Tax-Exempt Obligations. Particularly, the City shall be the owner of the Prior Project for federal income tax purposes. The City shall not enter into any management or service contract with any entity other than a governmental entity for the operation of any portion of the Prior Project unless the management or service contract complies with the requirements of such authority as may control at the time or any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Prior Project. Also, the payment of principal and interest with respect to the Tax-Exempt Obligations shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Tax-Exempt Obligations, or amounts treated as proceeds of the Tax-Exempt Obligations, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds may be so invested for an initial temporary period until needed for the purpose for which the Tax-Exempt Obligations are being executed and delivered, may be so used in making investments in a *bona fide* debt service fund or may be invested in obligations issued by the United States Treasury. The City shall comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the execution and delivery of the Tax-Exempt Obligations (initially those in subsection (b) and the Tax Certificate) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In consideration of the purchase and acceptance of the Tax-Exempt Obligations by the owners from time to time thereof and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the City shall, and the appropriate officials of the City are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(ii) (A) The City shall take all necessary and desirable steps, as determined by the Mayor and Council of the City, to comply with the requirements

hereunder in order to ensure that the Interest Portion allocable to the Tax-Exempt Obligations is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the City receives a Special Counsel's Opinion that either compliance with such requirement is not required to maintain the exclusion from gross income of such Interest Portion or compliance with some other requirement will meet the requirements of the Code relating to such exclusion. In the event the City receives such a Special Counsel's Opinion, the parties agree to amend this Agreement to conform to the requirements set forth in such opinion.

(B) If for any reason any requirement hereunder is not complied with, the City shall take all necessary and desirable steps, as determined by the City, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the City shall pay any required interest or penalty under hereinafter described Regulations section 1.148-3(h) with respect to the Code.

(C) Written procedures have been established for the City to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which the City will comply.

(b) (i) Undefined terms used in this subsection shall have the meanings given to them in the Code and the Regulations.

(ii) Unless an exception available pursuant to the Regulations applies as indicated in a Special Counsel's Opinion or a written statement of an expert consultant employed pursuant to paragraph (vii) hereof, within 60 days after the end of each Bond Year, the City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(A) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous Rebate Payments with respect to the Tax-Exempt Obligations (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous Rebate Payments with respect to the Tax-Exempt Obligations (determined as of the last day of such Bond Year); and

(B) not later than 60 days after the retirement of the last Tax-Exempt Obligation, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Tax-Exempt Obligation).

Each Rebate Payment required to be made under this Section shall be filed on or before the date such payment is due, with the Internal Revenue Service at the appropriate location and with required forms and other materials, currently by addressing it to IRS Service Center, Ogden, Utah 84201, and accompanying it with IRS Form 8038-T.

(iii) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(iv) For purposes of paragraph (iii), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(A) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing purchaser would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(B) Except as provided in Subsection (v) or (vi), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(C) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(v) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(A) the yield on reasonably comparable direct obligations of the United States; and

(B) 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.

(vi) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(A) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the City or any other person (whether or not in connection with the Tax-Exempt Obligations), and that the bid is not being submitted solely as a courtesy to the City or any other person for purposes of satisfying the requirements in the Regulations that the City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Tax-Exempt Obligations.

(B) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(C) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Tax-Exempt Obligations (e.g., a lead underwriter within 15 days of the issue date of the Tax-Exempt Obligations or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the City uses an agent to conduct the bidding, the agent may not bid.

(D) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(E) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(F) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(G) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(H) The City retains until three years after the last outstanding Tax-Exempt Obligation is retired, (1) a copy of the guaranteed investment contract, (2) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the City and a copy of the provider's certification described in (G) above, (3) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (4) the bid solicitation form and, if the terms of the guaranteed investment contract deviate from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(vii) Such experts and consultants shall be employed by the City to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Tax-Exempt Obligations.

(c) The City shall comply with and carry out all of the provisions of the Continuing Disclosure Undertaking, dated even date with the date of original execution and delivery of the Obligations, provided that such costs of compliance shall be payable solely from revenues from the Excise Taxes and the State Shared Revenues. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Undertaking shall not be considered an event of default; however, the Trustee may (and, at the

request of the owners of at least 25% aggregate principal amount in outstanding Obligations and receipt of indemnity to its satisfaction, shall) take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section. The Seller is not responsible for monitoring or verifying compliance by the City with the Continuing Disclosure Undertaking.

Section 12. Covenant as to Conflict of Interest; Other Statutory Restrictions.

(a) To the extent applicable by provision of law, the Seller acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that the City may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Seller covenants not to employ as an employee, an agent or, with respect to the subject matter of this Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Seller within three years from the execution of this Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Seller shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Seller of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Seller by the City. The City retains the legal right to randomly inspect the papers and records of the Seller to ensure that the Seller is complying with the above-mentioned warranty. The Seller shall keep such papers and records open for random inspection during normal business hours by the City. The Seller shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Seller hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the City determines that the Seller's certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 13. Miscellaneous.

(a) No covenant or obligation herein to be performed by the City may be waived except by the written consent of the Seller, and a waiver of any such covenant or

obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude the Seller from invoking such remedy at any later time prior to the cure by the City of the condition giving rise to such remedy.

(b) This Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time.

(c) The recitals set forth at the beginning of this Agreement are incorporated in this Agreement by this reference. This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both the Seller and the City, subject to the restrictions with regard thereto provided by the Trust Agreement.

(d) Any term or provision of this Agreement found to be prohibited by law or unenforceable or which would cause this Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Agreement to be invalid, prohibited by law or unenforceable.

(e) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(f) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives, as the case may be. Any person or entity acquiring any interest in or to the right, title or interest of the Seller herein shall be and have the rights of a third party beneficiary hereunder. [The Insurer is recognized as and shall be deemed to be a third party beneficiary of this Agreement and may enforce provisions of this Agreement as if it were a party thereto.]

(g) This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

The Seller:

U.S. BANK NATIONAL ASSOCIATION, as seller

By
Printed Name:
Title:

The City:

CITY OF SAN LUIS, ARIZONA, a municipal corporation under the laws of the State of Arizona, as purchaser

By
Mayor

ATTEST:

By
City Clerk

SCHEDULE

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
-------------------------	------------------	-----------------	--------------------------

DRAFT
08/15/17

SECOND EXCISE TAX TRUST AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION [???],
as Trustee

and

THE CITY OF SAN LUIS, ARIZONA,
as Purchaser

Dated as of _____ 1, 2017

TABLE OF CONTENTS

Page

**ARTICLE I
DEFINITIONS**

Section 1.1. Definitions..... 3
Section 1.2. Interpretation 9
Section 1.3. Obligations Not General Obligations of the City 10

**ARTICLE II
EXCISE TAX REVENUE OBLIGATIONS**

Section 2.1. Authorization of the Obligations 10
Section 2.2. Date; Interest Accrual 10
Section 2.3. Payment Amounts and Dates and Interest Rates 10
Section 2.4. Interest on Obligations 11
Section 2.5. Form..... 11
Section 2.6. Execution 12
Section 2.7. Book-Entry Only System 12
Section 2.8. Application of Proceeds 12
Section 2.9. Transfer and Exchange..... 13
Section 2.10. Obligations Mutilated, Lost, Destroyed or Stolen 13
Section 2.11. Payment..... 14
Section 2.12. Execution of Documents and Proof of Ownership. 15
Section 2.13. Obligation Register 15
Section 2.14. Payment of Unclaimed Amounts 15

**ARTICLE III
COSTS OF ISSUANCE FUND**

Section 3.1. Establishment and Application of Costs of Issuance Fund..... 16

**ARTICLE IV
PREPAYMENT OF OBLIGATIONS**

Section 4.1. Prepayment Provisions..... 16
Section 4.2. Selection of Obligations for Prepayment 17
Section 4.3. Notice of Prepayment; Effect..... 18
Section 4.4. Partial Prepayment of Obligation..... 19

TABLE OF CONTENTS

(continued)

Page

**ARTICLE V
PAYMENT FUND**

Section 5.1.	Trustee's Rights in Purchase Agreement	19
Section 5.2.	Establishment and Application of Payment Fund	19
Section 5.3.	Transfers of Investment Earnings to Payment Fund	20
Section 5.4.	Surplus	20

**ARTICLE VI
MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS**

Section 6.1.	Held in Trust	20
Section 6.2.	Investments Authorized	20
Section 6.3.	Accounting	21
Section 6.4.	Allocation of Earnings	21
Section 6.5.	Valuation and Disposition of Investments	21
Section 6.6.	Limitation of Investment Yield	21
Section 6.7.	Other Tax Covenants	21

**ARTICLE VII
THE TRUSTEE**

Section 7.1.	Appointment of Trustee	22
Section 7.2.	Liability of Trustee; Standard of Care	22
Section 7.3.	Merger or Consolidation	22
Section 7.4.	Protection and Rights of the Trustee	23
Section 7.5.	Compensation of Trustee	25
Section 7.6.	Removal and Resignation of Trustee	25
Section 7.7.	Appointment of Agent	26
Section 7.8.	Commingling	26
Section 7.9.	Records	26

TABLE OF CONTENTS
(continued)

Page

ARTICLE VIII
MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1.	Amendments Permitted	26
Section 8.2.	Procedure for Amendment With Written Consent of Obligation Owners.	27
Section 8.3.	Disqualified Obligations	28
Section 8.4.	Effect of Supplemental Trust Agreement	29
Section 8.5.	Endorsement or Replacement of Obligations Delivered After Amendments	29
Section 8.6.	Amendatory Endorsement of Obligations	29

ARTICLE IX
COVENANTS, NOTICES

Section 9.1.	Compliance With and Enforcement of Purchase Agreement	29
Section 9.2.	Observance of Laws and Regulations	29
Section 9.3.	Recordation and Filing	30
Section 9.4.	Further Assurances	30
Section 9.5.	Notification to the City of Failure to Make Payments	30
Section 9.6.	Business Days	30

ARTICLE X
LIMITATION OF LIABILITY

Section 10.1.	Limited Liability of the City	30
Section 10.2.	No Liability of the City for Trustee Performance	30
Section 10.3.	Indemnification of the Trustee.	31
Section 10.4.	Opinion of Counsel	32

ARTICLE XI
EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 11.1.	Seller's Rights Held in Trust	32
Section 11.2.	Remedies Upon Default; No Acceleration	32
Section 11.3.	Application of Funds	32
Section 11.4.	Institution of Legal Proceedings	33
Section 11.5.	Non-waiver	33
Section 11.6.	Power of Trustee to Control Proceedings	33
Section 11.7.	Limitation on Obligation Owners' Right to Sue.	33

TABLE OF CONTENTS
(continued)

Page

ARTICLE XII
MISCELLANEOUS

Section 12.1.	Defeasance	34
Section 12.2.	Notices	35
Section 12.3.	Incorporation of State Statutes	35
Section 12.4.	Governing Law	36
Section 12.5.	Binding Effect and Successors	36
Section 12.6.	Execution in Counterparts	36
Section 12.7.	Destruction of Cancelled Obligations	36
Section 12.8.	Headings	36
Section 12.9.	Parties Interested Herein	37
Section 12.10.	Waiver of Notice	37
Section 12.11.	Severability of Invalid Provisions	37

[ARTICLE XIII
PROVISIONS RELATING TO POLICY AND INSURER

Section 13.1.	Applicability of this Article	37
Section 13.2.	Notice and Other Information to be given to the Insurer	37
Section 13.3.	Defeasance	38
Section 13.4.	Trustee	38
Section 13.5.	Amendments, Supplements and Consents.	38
Section 13.6.	The Insurer As Third Party Beneficiary	40
Section 13.7.	Payment Procedure Under the Policy	40
Section 13.8.	Exercise of Rights by the Insurer	42]

EXHIBIT FORM OF OBLIGATIONS

* * *

SECOND EXCISE TAX TRUST AGREEMENT

THIS SECOND EXCISE TAX TRUST AGREEMENT, made and entered into as of the 1st day of _____, 2017 (this "Trust Agreement"), by and between the CITY OF SAN LUIS, ARIZONA, a municipal corporation under the laws of the State of Arizona (the "City") and U.S. BANK NATIONAL ASSOCIATION, a national banking association authorized to exercise trust powers in the State of Arizona, as trustee, and any successor to its duties hereunder (the "Trustee"), and;

WITNESSETH:

WHEREAS, the Mayor and Council of the City have determined that it will be beneficial to the citizens of the City for the City to refinance the costs of the Prior Project (as such term and all other terms not otherwise defined hereinabove are hereinafter defined) which were financed with proceeds of the Loan Repayment Agreement; and

WHEREAS, for such purpose, the Mayor and the Council of the City requested that the Trustee sell and execute and deliver the Obligations, and the Trustee has, as described in this Trust Agreement, caused amounts to be paid to the Escrow Trustee and deposited to the Costs of Issuance Fund as provided herein; and

WHEREAS, the City and the Trustee will enter into this Trust Agreement to facilitate the administration of the refinancing of the Prior Project, and the Trustee has full legal authority and is duly empowered to enter into this Trust Agreement and has taken all actions necessary to authorize the execution and delivery hereof;

GRANTING CLAUSES

NOW, THEREFORE, in order to secure the payment of principal and interest (to the extent provided herein) represented by the Obligations, the rights of the Owners of the Obligations and the performance and the observance of the covenants and conditions contained in the Obligations, the Purchase Agreement and herein, the City absolutely and irrevocably pledges and assigns to the Trustee, and the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of, all right, title and interest in and to the following described trust estate, which shall be administered by the Trustee according to the provisions of this Trust Agreement and for the equal and proportionate benefit of the Owners of the Obligations:

A. All right, title and interest of Seller in, under and pursuant to the Purchase Agreement, the Payments and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement of such rights, and (iii) do any and all other things which the Seller is or may become entitled to do thereunder;

B. Amounts on deposit from time to time in the funds created pursuant hereto, subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligations, by Seller or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance of this Trust Agreement, unto the Trustee and its successors and assigns, forever, subject, however, to the rights reserved hereunder;

IN TRUST, however, for the equal and proportionate benefit and security of the Owners from time to time of the Obligations executed and delivered hereunder and Outstanding, none of the Obligations being entitled to priority or distinction one over the other in the application of the revenues from the Excise Taxes and the State Shared Revenues pledged by the Purchase Agreement to the Payments, regardless of the delivery of any of the Obligations prior to the delivery of any other of the Obligations, or regardless of the time or times principal represented by any Obligations is paid or is subject to prepayment, all of the Obligations being co-equal as to the pledge of and lien on the revenues from the Excise Taxes and the State Shared Revenues pledged for the Payments thereof and sharing ratably, without preference, priority or distinction, as to the source or method of payment from the revenues from the Excise Taxes and the State Shared Revenues or security therefor and conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereinafter set forth.

For such purposes, the City and the Trustee hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined in the first paragraph hereof and in the Purchase Agreement and unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

“*Authorized Denominations*” means \$5,000 of principal represented by the Obligations of a series due on a specific payment date or integral multiples thereof.

“*Bond Year*” means each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of execution and delivery of the Obligations and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of payment of the last Tax-Exempt Obligation.

“*Bond Yield*” means the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Tax-Exempt Obligations as determined under Regulations section 1.148-4(b), recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). The present value of all such payments shall be computed as of the date of execution and delivery of the Obligations and using semiannual compounding on the basis of a 360-day year.

“*Business Day*” means any day of the week other than a Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which the Trustee is authorized or obligated by law or executive order to close or a day on which the Federal Reserve is closed, as modified by the effect of Section 9.6.

“*City Representative*” means the City Manager, the City Finance Director or any other person authorized by the City Manager or the Mayor and Council of the City to act on behalf of the City with respect to this Trust Agreement.

“*Closing Date*” means _____, 2017.

“*Code*” means the Internal Revenue Code of 1986, as amended. References to the Code and sections thereof include applicable regulations and temporary regulations thereunder and any successor provisions to those sections, regulations or temporary regulations and any applicable regulations or temporary regulations issued pursuant to the Internal Revenue Code of 1954, as amended.

“*Continuing Disclosure Undertaking*” means the Continuing Disclosure Undertaking of the City, dated the date of the Obligations.

“*Corporate Trust Office*” means the office of the Trustee designated in Section 12.2 or any successor corporate trust office.

“*Costs of Issuance Fund*” means the fund of that name established pursuant to Article III hereof and held by the Trustee.

“*Defaulted Interest*” has the meaning provided in Section 2.11(d).

“*Defeasance Obligations*” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, (5) securities eligible for “AAA” defeasance under then-existing criteria of S&P or (6) any combination of the foregoing.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the sale and execution and delivery of the Purchase Agreement, this Trust Agreement, the Escrow Trust Agreement and the Obligations, as applicable, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

“*Depository Trustee*” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority.

“*Designated Office*” means the office designated as such by the Trustee in writing to the City. The initial Designated Office shall be the Corporate Trust Office.

“*DTC*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*electronically*” or “*electronic method*” means, with respect to notice, one transmitted through a timesharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“*Escrow Trust Agreement*” means the Escrow Trust Agreement, dated as of _____ 1, 2017, by and between the Escrow Trustee and the City.

“*Escrow Trustee*” means U.S. Bank National Association[???], as escrow trustee pursuant to the Escrow Trust Agreement.

“Event of Default” means an event of default described in Section 9 of the Purchase Agreement.

“Excise Taxes” means the unrestricted transaction privilege (sales) taxes, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures the City now imposes; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council.

“First Purchase Agreement” means the First Excise Tax Purchase Agreement, dated as of November 1, 2014, by and between the City and U.S. Bank National Association, as seller.

“Gross Proceeds” means:

(i) any amounts actually or constructively received by the City from the sale of the Tax-Exempt Obligations but excluding amounts used to pay accrued interest on the Tax-Exempt Obligations within one year of the date of issuance of the Tax-Exempt Obligations;

(ii) transferred proceeds of the Tax-Exempt Obligations under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii) and

(iv) replacement proceeds of the Tax-Exempt Obligations within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Tax-Exempt Obligations, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Tax-Exempt Obligations in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under this Trust Agreement.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee and which may include the counsel giving a Special Counsel’s Opinion.

“Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“Insurer Default” means: (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer shall (1) voluntarily commence any proceeding or file any petition seeking relief under the United

States Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law, (2) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (3) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (4) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (5) make a general assignment for the benefit of creditors, or (6) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).]

“Interest Payment Date” means each January 1 and July 1, while principal represented by any Obligations is outstanding provided that, pursuant to Section 9.6, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment.

“Interest Portion” means the amounts of each of the Payments in the column in the Schedule attached to the Purchase Agreement designated “Interest,” denominated as and comprising the interest portion of the Payments pursuant to the Purchase Agreement and received by the Seller.

“Investment Property” means any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

“Issue Price” means the price determined as provided in Regulations section 1.148-1(b).

“Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3% and (ii) the then applicable highest rate of interest on the Obligations and (b) the maximum rate permissible under the applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A. ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.]

“Loan Repayment Agreement” means the Loan Repayment Agreement, dated as of February 1, 2009, as amended by the First Amendment to Loan Repayment Agreement, dated as of November 1, 2014, by and between the City and the Greater Arizona Development Authority, a body corporate and politic constituting a governmental instrumentality duly organized and existing within the State of Arizona under the Constitution and laws of the State.

“*Market Value*” means the indicated bid value of the investment or investments to be valued as shown in The Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee and generally accepted as a source of valuation.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody’s shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

“*Nonpurpose Investment*” means any Investment Property acquired with Gross Proceeds and which is not acquired to carry out the governmental purposes of the Tax-Exempt Obligations.

“*Notification*” shall have the meaning provided in Section 10.3(b).

“*Obligations*” means, collectively, the Tax-Exempt Obligations and the Taxable Obligations.

“*Outstanding*” refers to Obligations issued in accordance with this Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a mandatory prepayment installment with respect to principal represented thereby; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted hereby and by the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal, interest and premium, if any, represented by such Obligations, provided, however, that if principal represented by any such Obligations is to be prepaid, the City shall have taken all action necessary to prepay such Obligations and notice of such prepayment shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to give such notice shall have been given to the Trustee.

“*Owner*” or any similar term, when used with respect to an Obligation means the person in whose name such Obligation shall be registered.

“*Parity Lien Obligation*” means any additional obligations which may hereafter be issued or incurred by the City (or any financing conduit acting on behalf of the City) having a lien upon and payable from the revenues from the Excise Taxes and the State Shared Revenues on a parity with, and in compliance with the terms of, the First Purchase Agreement and the Purchase Agreement.

“*Payment Fund*” means the fund of that name established pursuant to Article V hereof and held by the Trustee.

“*Payments*” means the Payments required to be paid by the City pursuant to Subsection 1(b) of the Purchase Agreement and as set forth in the Schedule to the Purchase Agreement, subject to the provisions of Subsection 5.2(b).

“*Permitted Investments*” means any investment permitted by Section 35-323, Arizona Revised Statutes.

[“*Policy*” means, collectively, the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Tax-Exempt Obligations when due and the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Taxable Obligations when due.]

“*Prior Project*” means the acquisition and renovation of a building and related site and reimbursement of cost overruns associated with certain capital improvements.

“*Purchase Agreement*” means the Second Excise Tax Purchase Agreement, dated as of _____ 1, 2017, by and between the City and the Trustee, in its capacity as “Seller.”

“*Rebate Payment*” means any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

“*Rebate Requirement*” means, for each Bond Year, at any time the excess of the future value of all Receipts over the future value of all Rebate Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Rebate Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

“*Receipt*” means any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

“*Regular Record Date*” means the close of business on the fifteenth day of the month preceding each Interest Payment Date.

“*Regulations*” means the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

“*Responsible Officer*” means, when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Trustee within the Corporate Trust Office customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Trust Agreement.

“S&P” means Standard & Poor’s Financial Services LLC, a limited liability company organized and existing under the laws of the State of New York, its successors and assigns, and, if such company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

“*Securities Depository*” means a “clearing agency” (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended.

“*Special Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“*Special Record Date*” has the meaning provided in Section 2.11(d).

“*State*” means the State of Arizona.

“*State Shared Revenues*” means any amounts of excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State or any agency thereof and returned, allocated or apportioned to the City, except the City’s share of any such taxes which by State law, rule or regulation must be expended for other purposes such as motor vehicle fuel taxes.

“*Tax Certificate*” means the Certificate Relating To Federal Tax Matters executed and delivered by the City on the Closing Date.

“*Tax-Exempt Obligations*” means the City of San Luis, Arizona Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A.

“*Taxable Obligations*” means the City of San Luis, Arizona Pledged Excise Tax Revenue Refunding Obligations, Taxable Series 2017B.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

Section 1.2. Interpretation.

(a) Any reference herein to the Mayor and Council of the City or any officer of the City shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect

the meaning, construction or effect hereof. References to "Articles" and "Sections" are to those in this Agreement.

Section 1.3. Obligations Not General Obligations of the City. The Obligations shall be payable solely out of the revenues and other security pledged hereby and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against the City's general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE II EXCISE TAX REVENUE OBLIGATIONS

Section 2.1. Authorization of the Obligations. The Trustee is hereby authorized and directed to execute and deliver to the original purchaser thereof, the Tax-Exempt Obligations in the aggregate principal amount of \$____,000 and the Taxable Obligations in the aggregate principal amount of \$____,000, each series representing proportionate ownership interests in the Payments. In no event shall the Obligations be deemed liabilities, debts or obligations of the Trustee.

Section 2.2. Date; Interest Accrual. Each Obligation shall be dated the Closing Date, and interest represented thereby shall be payable from such date or from the most recent Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Obligations Outstanding hereunder.

Section 2.3. Payment Amounts and Dates and Interest Rates. The Obligations shall be in Authorized Denominations. Principal represented by the Obligations shall be payable on the dates and in the principal amounts, and interest represented thereby shall be computed at the rates, as shown below:

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>
---	-----------------------------------	---------------------------------

Taxable Obligations

Tax-Exempt Obligations

Section 2.4. Interest on Obligations. Interest represented by the Obligations shall be payable semiannually on January 1 and July 1 of each year commencing _____ 1, 20__, to and including the date of payment or prepayment of the amount of principal represented by the Obligations. Said interest shall represent the portion of the Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Obligations. The proportionate share of the portion of the Payments designated as interest with respect to any Obligation shall be computed by multiplying the portion of Payments designated as principal with respect to such Obligation by the rate of interest applicable to such Obligation (on the basis of a 360-day year of twelve 30-day months).

Section 2.5. Form. The Obligations shall be in fully registered, physically certificated form. The form of the Obligations shall be substantially in the form set forth in the Exhibit hereto.

Section 2.6. Execution. The Obligations shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If the representative whose signature appears on any Obligation ceases to be such representative before the Closing Date, such signature shall nevertheless be as effective as if the representative had remained in office until the Closing Date. Any Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Obligation shall be the proper authorized representative of the Trustee although at the nominal date of such Obligation such person shall not have been such authorized representative of the Trustee. No Obligation shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee of any Obligation shall be conclusive evidence that the Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

Section 2.7. Book-Entry Only System. The Trustee and the City may from time to time enter into, and discontinue, an agreement with a Securities Depository which is the Owner of the Obligations, to establish procedures with respect to the Obligations not inconsistent with the provisions of this Trust Agreement; provided, that, notwithstanding any other provisions of this Trust Agreement, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Obligation so long as the Obligations are subject to such agreement. With respect to Obligations registered in the name of a Securities Depository (or its nominee), neither the Trustee nor the City shall have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Obligations. It is hereby acknowledged that the City and the Trustee intend to enter into an agreement with DTC in connection with the execution and delivery of the Obligations, and while such agreement is in effect, the procedures established therein shall apply to the Obligations notwithstanding any other provisions of this Trust Agreement to the contrary. As long as DTC is the Securities Depository with respect to the Obligations, the Trustee shall be a "DTC Direct Participant." The Trustee shall not have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Obligations regarding accuracy of any records maintained by DTC or DTC participants, the payments by DTC or DTC participants of any amount in respect of principal, interest or premium, if any, represented by the Obligations, any notice which is permitted or required to be given to or by Owners hereunder (except such notice as is required to be given by the City to the Trustee or to DTC), or any consent given or any other action taken by DTC as Owner.

Section 2.8. Application of Proceeds. The proceeds received by the Trustee from the sale of the Obligations shall forthwith be transferred by the Trustee as follows:

- (a) \$ _____ shall be deposited in the Costs of Issuance Fund and
- (b) \$ _____ shall be transferred to the Escrow Trustee for purposes of the Escrow Trust Agreement.

Section 2.9. Transfer and Exchange.

(a) Any Obligation may, in accordance with its terms, be transferred upon the registration books for the Obligations required to be kept pursuant to the provisions of Section 2.13 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Obligation or Obligations shall be surrendered for transfer, the Trustee shall execute and deliver a new Obligation or Obligations in fully registered form of the series and same payment date and interest rate and for a like aggregate payment amount.

(b) Obligations may be exchanged at the Designated Office for a like aggregate payment amount of Obligations of Authorized Denominations of the same series and same payment date and interest rate. In connection with any such exchange or transfer of Obligations, the Owner requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay any tax or other governmental charge required to be paid, other than one imposed by the City (which will not be payable by the Trustee), or any fee or expense of the Trustee or the City with respect to such exchange or transfer.

(c) The Trustee may, but shall not be obligated to, exchange or register the transfer of an Obligation (i) if principal represented by the Obligation is to be prepaid, in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If an Obligation subject to such prepayment is to be transferred after having been selected for prepayment, any notice of prepayment which has been given to the transferor shall be binding on the transferee and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.

Section 2.10. Obligations Mutilated, Lost, Destroyed or Stolen. If any Obligation shall become mutilated, the Trustee, at the expense of the Owner of said Obligation, shall execute and deliver a new Obligation of like series and tenor and payment date and amount in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Any mutilated Obligation so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the Owner of such Obligation. If any Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of such Obligation, shall execute and deliver a new Obligation of like series and tenor and payment date and amount, numbered as the Trustee shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Obligation delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Obligation issued under the provisions of this Section in lieu of any Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Obligations secured by this Trust Agreement. The Trustee shall not be required to treat both the original Obligation and any replacement Obligation as being Outstanding for the purpose of

determining the principal amount of Obligations which may be executed and delivered hereunder or for the purpose of determining any percentage of Obligations Outstanding hereunder, but both the original and replacement Obligation shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Obligation for an Obligation which has been mutilated, lost, destroyed or stolen, and which has become due, the Trustee may make payment with respect to such Obligation upon receipt of the aforementioned indemnity.

Section 2.11. Payment.

(a) Payment of interest due represented by any Obligation on any Interest Payment Date shall be made to the person appearing on the registration books for the Obligation maintained by the Trustee as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the date due by first class mail to such Owner at the address thereof as it appears on such registration books, payable in lawful money of the United States of America.

(b) The principal and interest represented by any Obligation shall be payable in lawful money of the United States of America upon surrender when due at the Designated Office.

(c) Interest and, if satisfactory arrangements for surrender are made with the Trustee, principal, payable to any Securities Depository or to any Owner of \$1,000,000 or more in principal amount of Obligations shall be paid by wire transfer in immediately available funds to an account in the United States of America if the Owner makes a written request of the Trustee at least twenty (20) days before the Interest Payment Date specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

(d) Any interest represented by any Obligation which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date ("Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner. Such Defaulted Interest shall thereupon be paid, together with interest thereon at the same rate per annum as such Defaulted Interest, by the Trustee (out of funds provided to it by the City) to the persons in whose names such Obligations are registered at the close of business on a special record date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided (the "Special Record Date"). When the Trustee has funds available to pay the Defaulted Interest and interest thereon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest and interest thereon which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee. The Trustee shall promptly cause notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner of an Obligation at his address as it appears in the registration books by the Trustee for the Obligation not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest and interest thereon shall be paid to the persons in whose names the Obligations are registered on such Special Record Date.

Section 2.12. Execution of Documents and Proof of Ownership.

(a) Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by the Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Obligations. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of the Obligations shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(1) The fact and date of the execution by any Owner or the attorney or agent thereof of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(2) The fact of the ownership of the Obligations by any person and the amount, the payment date and the numbers of such Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.13.

(b) Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.13. Obligation Register. The Trustee will keep or cause to be kept, at the Designated Office, sufficient books for the registration and transfer of the Obligations which shall at all times during regular business hours on any Business Day be open to inspection by the City and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Obligations as hereinbefore provided.

Section 2.14. Payment of Unclaimed Amounts. In the event any check for payment of interest represented by an Obligation is returned to the Trustee unendorsed or is not presented for payment within two (2) years from its payment date or any Obligation is not presented for payment of principal when due, including because of prepayment, if funds sufficient to pay such interest or principal due upon such Obligation shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to

hold such funds, without liability for interest thereon, for the benefit of the Owner of such Obligation who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Obligation or amounts due thereunder. The obligation of the Trustee to hold such funds shall continue for two years and six months (subject to applicable escheat laws) following the date on which such interest or principal payment became due, whether on the date due or the date fixed for prepayment, or otherwise, at which time the Trustee shall surrender such unclaimed funds so held to the City, whereupon any claim of whatever nature by the Owner of such Obligation arising under such Obligation shall be made upon the City.

ARTICLE III COSTS OF ISSUANCE FUND

Section 3.1. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish a special trust fund designated as the "City of San Luis Pledged Excise Tax Revenue Refunding Obligations Costs of Issuance Fund," shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for the payment of Delivery Costs. Disbursements from the Costs of Issuance Fund shall be made by the Trustee upon receipt of a requisition for disbursement (on which the Trustee is entitled to rely) executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed. The Trustee has no duty or obligation to confirm that such disbursements constitute Delivery Costs.

(c) On the earlier of _____ 1, 20__, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund and the Costs of Issuance Fund shall be closed.

ARTICLE IV PREPAYMENT OF OBLIGATIONS

Section 4.1. Prepayment Provisions.

[(a) Principal represented by the Tax-Exempt Obligations payable before or on July 1, 20__, is not subject to prepayment. Principal represented by the Tax-Exempt Obligations payable on or after July 1, 20__, is subject to prepayment in such order and from such principal amount payable selected by the City and by lot within such principal amount by such methods as may be selected by the Trustee (or if held in book-entry form in any manner acceptable to DTC) from prepayments made by the City pursuant to Section 7 of the Purchase Agreement, in whole or in part on any date on or after July 1, 20__, at a price equal to the

principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

(b) Principal represented by the Tax-Exempt Obligations payable on July 1, 20__, shall be prepaid on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

<u>Year Prepaid</u>	<u>Principal Amount Prepaid</u>
---------------------	---------------------------------

Principal represented by the Tax-Exempt Obligations payable on July 1, 20__, shall be prepaid on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

<u>Year Prepaid</u>	<u>Principal Amount Prepaid</u>
---------------------	---------------------------------

Whenever Tax-Exempt Obligations payable on July 1, 20__, and July 1, 20__, are purchased, prepaid (other than pursuant to mandatory prepayment) or delivered by the City to the Trustee for cancellation, the principal amount of the Tax-Exempt Obligations payable on July 1, 20__, and July 1, 20__, so retired shall satisfy and be credited against the mandatory prepayment requirements for such Tax-Exempt Obligations payable on July 1, 20__, and July 1, 20__, for such years as the City may direct.

(c) The Taxable Obligations are not subject to prepayment prior to their stated payment dates.]

Section 4.2. Selection of Obligations for Prepayment. Principal represented by the Tax-Exempt Obligations shall be prepaid only in the amounts of \$5,000 of principal represented by each or integral multiples thereof. The City shall, at least forty-five (45) days prior to the prepayment date, notify the Trustee of such prepayment date and of the payment dates of the Tax-Exempt Obligations and the payment amount of principal represented by the Tax-Exempt Obligations due on any such payment date to be prepaid on such date. For the purposes of any prepayment of less than all of the Tax-Exempt Obligations payable on a single payment date, if the Tax-Exempt Obligations are not held in a book-entry-only system as described in Section 2.7, the particular Tax-Exempt Obligations or portions of Tax-Exempt Obligations payable on the date(s) selected to be prepaid shall be selected by the Trustee by lot in accordance with its standard procedures not more than forty-five (45) nor less than thirty (30) days prior to the prepayment date by such selection methods as the Trustee shall in its sole discretion deem appropriate and fair; provided, however, that such selection methods shall provide for the selection of Tax-Exempt Obligations or portions thereof for prepayment in

principal amounts of \$5,000 or integral multiples thereof such that any \$5,000 Tax-Exempt Obligation or \$5,000 portion of a Tax-Exempt Obligation payable on the date selected shall be as likely to be called for prepayment as any other such \$5,000 Tax-Exempt Obligation or \$5,000 portion thereof. The Trustee shall promptly notify the City in writing of the Tax-Exempt Obligations so selected for prepayment, and the City will provide the Trustee within thirty (30) days a recomputed payment schedule for the Purchase Agreement. Notwithstanding the foregoing, the Securities Depository for Tax-Exempt Obligations held in a book-entry-only system shall select the Tax-Exempt Obligations for prepayment from Tax-Exempt Obligations maturing in a given year according to its stated procedures. While the City intends that allocations be made in accordance with the foregoing proportional provisions, the selection of Tax-Exempt Obligations for prepayment shall be subject to practices and procedures of the Securities Depository as in effect from time to time.

Section 4.3. Notice of Prepayment; Effect.

(a) The Trustee shall cause notice of any prepayment hereunder to be mailed to the Owners of all of the Tax-Exempt Obligations to be prepaid at the addresses appearing in the Register kept for such purpose pursuant to Section 2.13. Each such notice shall (1) be sent no more than 60 nor less than 30 calendar days prior to the prepayment date, (2) identify the Tax-Exempt Obligations to be prepaid (specifying the CUSIP numbers, if any, assigned to the Tax-Exempt Obligations), (3) specify with respect to the Tax-Exempt Obligations being prepaid their date of issue, their final payment date, their prepayment date and their prepayment price, (4) set forth the name, address and telephone number of the person from whom information pertaining to the prepayment may be obtained, and (5) state that on the prepayment date the Tax-Exempt Obligations to be prepaid will be payable at the Designated Office, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Tax-Exempt Obligations. No defect affecting any Tax-Exempt Obligation, whether in the notice of prepayment or the delivery thereof (including any failure to mail such notice), shall affect the validity of the prepayment proceedings for any other Tax-Exempt Obligations.

(b) If at the time of mailing of notice of an optional prepayment of principal represented by the Tax-Exempt Obligations, there has not been deposited with the Trustee moneys or Defeasance Obligations sufficient to prepay all Tax-Exempt Obligations subject to such prepayment and the requirements of (e) below are not satisfied, then such notice shall state that the prepayment is conditional upon the deposit of moneys or Defeasance Obligations sufficient for the prepayment with the Trustee and satisfaction of such requirements not later than the opening of business on the prepayment date, and such notice will be of no effect and such Tax-Exempt Obligations shall not be prepaid unless such moneys or Defeasance Obligations are so deposited and such requirements in (e) below are met.

(c) Any notice of prepayment shall be mailed by first class mail, postage prepaid; provided that any notice of prepayment given to any Owner of \$1,000,000 or more in aggregate principal amount of Tax-Exempt Obligations also shall be transmitted electronically. A certificate of the Trustee shall conclusively establish the mailing or delivery of any such notice for all purposes.

(d) Notice having been mailed in the manner provided in (b) above, the Tax-Exempt Obligations shall become due and payable on the prepayment date and, upon presentation and surrender of such Tax-Exempt Obligation at the place or places specified in that notice, shall be paid at the prepayment price, plus interest accrued to the prepayment date.

(e) If the money or Defeasance Obligations for the prepayment of all of the Tax-Exempt Obligations to be prepaid, together with interest accrued thereon to the prepayment date, is held by the Trustee on the prepayment date, so as to be available therefor on that date, then from and after the prepayment date such principal thereof to be prepaid shall cease to bear interest, and the Tax-Exempt Obligations no longer shall be considered to be outstanding hereunder. If those moneys shall not be so available on the prepayment date, such principal shall continue to bear interest, until paid, at the same rate as they would have borne otherwise.

(f) All moneys deposited in the Payment Fund and held by the Trustee for the prepayment of such portions of principal represented by particular Tax-Exempt Obligations shall be held in trust for the account of the Owners of such Tax-Exempt Obligations and shall be paid to them, respectively, upon presentation and surrender of those Tax-Exempt Obligations.

Section 4.4. Partial Prepayment of Obligation. Upon surrender of any Obligation, the principal portion of which has been prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Obligation or Obligations of Authorized Denominations equal in aggregate payment amount to the unpaid portion of the Obligation surrendered and due on the same payment date.

ARTICLE V PAYMENT FUND

Section 5.1. Trustee's Rights in Purchase Agreement. The Trustee holds in trust hereunder all of its rights and duties in the Purchase Agreement, including but not limited to all of the rights to receive and collect all of the Payments and all other amounts required to be deposited in the Payment Fund pursuant to the Purchase Agreement or pursuant hereto. All of the Payments and such other amounts to which the Seller may at any time be entitled shall be paid directly to the Trustee in trust, and all of the Payments collected or received by the Trustee shall be held by the Trustee in trust hereunder in the Payment Fund for the benefit of the Owners.

Section 5.2. Establishment and Application of Payment Fund.

(a) The Trustee shall establish a special trust fund designated as the "City of San Luis Pledged Excise Tax Revenue Refunding Obligations Payment Fund" (herein referred to as the "Payment Fund"). So long as any Obligations are Outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

(b) Not less than thirty (30) Business Days prior to each Interest Payment Date, the Trustee shall notify the City of the amount required to be paid, after taking into account amounts which will be transferred to the Payment Fund in accordance herewith, on or before such Interest Payment Date, so that a sufficient amount will then be on deposit for both principal and interest represented by the Obligations then due. All amounts received by the Trustee as Payments pursuant to the Purchase Agreement or as transfers pursuant hereto shall be deposited in the Payment Fund.

(c) All amounts in the Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest represented by the Obligations as the same shall become due and payable, in accordance with the provisions of Articles II and IV.

Section 5.3. Transfers of Investment Earnings to Payment Fund. Except as otherwise directed by the City, the Trustee shall, on or before the next Interest Payment Date occurring on July 1, transfer any income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.4. Surplus. Any surplus remaining in any of the funds created hereunder, after prepayment and payment or provision for prepayment and payment of all Obligations, including accrued interest and payment of any applicable fees, expenses or indemnities to the Trustee, or provision for such prepayment and payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS

Section 6.1. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Obligations and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City or any Owner of the Obligations.

Section 6.2. Investments Authorized. Upon written order of the City Representative, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments having the highest yield reasonably obtainable. The City Representative shall direct such investment in specific Permitted Investments. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the City Representative. In no event shall the Trustee be liable for the selection of investments. The Trustee may

conclusively rely upon such written direction from the City Representative as to both the suitability and legality of the directed investments. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 Code of Federal Regulations 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

Section 6.3. Accounting. The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.2.

Section 6.4. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein. At the direction of the City Representative, any such income, profit or interest shall be transferred and applied if necessary to pay amounts due pursuant to section 148 of the Code.

Section 6.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 6.6. Limitation of Investment Yield. In the event the City is of the opinion that it is necessary to restrict or limit the yield on the investment of any amounts paid to or held by the Trustee hereunder in order to avoid the Tax-Exempt Obligations, or any of them, being considered "arbitrage bonds" within the meaning of section 148 of the Code, the City Representative may issue to the Trustee a written certificate to such effect (along with appropriate instructions), in which event the Trustee will take such action as is instructed so to restrict or limit the yield on such investment in accordance with the specific instructions contained in such certificate.

Section 6.7. Other Tax Covenants. In consideration of the acceptance and execution of the Purchase Agreement by the Trustee and the purchase by the Owners of the Tax-Exempt Obligations, from time to time, and in consideration of retaining the exclusion of the portion of each Payment denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Tax-Exempt Obligations for federal income tax purposes, the City shall, from time to time, neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in such portion of each such Payment becoming subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Purchase Agreement or such laws as they

may be modified or amended or tax laws later adopted. The City shall comply with such requirement(s) and will take any such action(s) as are necessary to prevent such portion of each such Payment from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements required by any Special Counsel's Opinion; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Tax-Exempt Obligations; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with moneys held pursuant to this Trust Agreement and limiting the use of the proceeds of the Tax-Exempt Obligations and property refinanced thereby.

ARTICLE VII THE TRUSTEE

Section 7.1. Appointment of Trustee. The City hereby authorizes and directs the Trustee to, and the Trustee shall, execute and deliver the Purchase Agreement, as Seller, and receive all moneys required to be deposited with the Trustee hereunder and shall allocate, use and apply the same as provided in this Trust Agreement. The City shall maintain as the Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 7.2. Liability of Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute this Trust Agreement, the recitals of facts, covenants and agreements herein, in the Purchase Agreement and in the Obligations shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity hereof or sufficiency of this Trust Agreement, the Purchase Agreement or the Obligations or shall incur any responsibility in respect hereof or thereof, other than in connection with the duties or obligations herein or in the Obligations assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied obligations or covenants should be read into this Trust Agreement against the Trustee. After the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of its own affairs.

Section 7.3. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to

which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.1, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.4. Protection and Rights of the Trustee.

(a) The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation shall be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Trustee may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

(d) The recitals, statements and representations by the City contained in this Trust Agreement, the Purchase Agreement or the Obligations shall be taken and construed as made by and on the part of the City and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the

Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability (including, without limitation, any and all environmental liability) in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be accountable for the use or application by the City or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(h) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Prior Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the acquisition of the Prior Project.

(i) Notwithstanding any provision in this Trust Agreement or the Purchase Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 9(a)(i)(A) of the Purchase Agreement, unless a Responsible Officer of the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of all Obligations then Outstanding.

(j) The Trustee shall accept and act upon instructions of directions pursuant to this Trust Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee email or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(k) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(l) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Prior Project.

(m) Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal and interest represented by the Obligations as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated, to have resulted from its negligence or willful default in connection with any action so taken.

(n) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

Section 7.5. Compensation of Trustee. The City shall from time to time, pursuant to a fee schedule agreed to between the City and the Trustee (which schedule may be amended in writing), pay to the Trustee reasonable compensation for its services, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 7.6. Removal and Resignation of Trustee.

(a) The City (but only if no Event of Default has occurred and is continuing) or the Owners of a majority in aggregate principal amount of all Obligations Outstanding, at any time upon thirty (30) days' prior written notice, and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty

Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation or its giving notice of removal, the retiring Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. The Trustee and the City shall execute any documents reasonably required to effect the transfer of rights and obligations of the Trustee to the successor trustee subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its reasonable charges and expenses (including reasonable fees and expenses of its counsel) and the indemnification under Sections 7.4 and 10.3. Upon such acceptance, the successor trustee shall mail notice thereof to the Owners of the Obligations at their respective addresses as set forth on the registration books for the Obligations maintained pursuant to Section 2.13.

Section 7.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.8. Commingling. The Trustee may commingle any of the funds held by it pursuant to this Trust Agreement in a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.9. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

ARTICLE VIII MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1. Amendments Permitted.

(a) This Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement and the rights and obligations of the parties

thereto, may be modified or amended at any time by a supplemental or amending agreement which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, exclusive of Obligations disqualified as provided in Section 8.3, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the final payment of principal represented by any Obligation or reducing the interest represented thereby or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of this Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental or amending agreement shall become effective as provided in Section 8.2.

(b) This Trust Agreement and the rights and obligations of the Owners of the Obligations, and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement, without the consent of any such Owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee (for its own behalf) or the City, (2) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (3) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (4) to provide for the appointment of a successor trustee pursuant to the terms hereof, (5) to preserve the exclusion of interest represented by the Tax-Exempt Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or incur other obligations the interest on which is likewise exempt from federal and State income taxes, (6) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (7) with respect to rating matters or (8) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially adversely affect the interests of the Owners of the Obligations as evidenced by a Special Counsel's Opinion delivered by the City to the Trustee. Any such supplemental or amending agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon a Special Counsel's Opinion as conclusive evidence that any such supplemental or amending agreement complies with this Section.

Section 8.2. Procedure for Amendment With Written Consent of Obligation Owners.

(a) This Trust Agreement and the Purchase Agreement may be amended by supplemental or amending agreement as provided in this Section in the event the consent of the Owners of the Obligations is required pursuant to Section 8.1. A copy of such supplemental or amending agreement, together with a request to the Owners of the Obligations for their consent thereto, shall be mailed by the Trustee to each Owner of an Obligation at the address thereof as set forth on the registration books for the Obligations maintained pursuant to

Section 2.13, but failure to mail copies of such supplemental or amending agreement and request shall not affect the validity of the supplemental or amending agreement when assented to as provided in this Section 8.2.

(b) Such supplemental or amending agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority in principal amount of all Obligations then Outstanding (exclusive of Obligations disqualified as provided in Section 8.3) and a notice shall have been mailed as hereinafter in this Section provided. The consent of an Owner of an Obligation shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by Section 2.12. Any such consent shall be binding upon the Owner and on any subsequent Owner of the Obligation giving such consent (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner or a subsequent Owner giving such consent by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owners of the required percentage of Obligations shall have filed their consents to such supplemental or amending agreement, the Trustee shall mail a notice to the Owners of the Obligations in the manner hereinbefore provided in this Section for the mailing of such supplemental or amending agreement of the notice of adoption thereof, stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental or amending agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental or amending agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Obligations after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within sixty (60) days.

Section 8.3. Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in this Trust Agreement and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement; provided, however, that in determining whether the Trustee shall be protected in relying upon any such approval or consent of an Owner, only Obligations which a Responsible Officer of the Trustee actually knows to be owned or held by the City, or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall be deemed not to be Outstanding unless all Obligations are so owned, in which case such Obligations shall be considered Outstanding for the purpose of such determination.

Section 8.4. Effect of Supplemental Trust Agreement. From and after the time any supplemental or amending agreement becomes effective pursuant to this Article VIII, this Trust Agreement or the Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Obligations Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental or amending agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Purchase Agreement, as the case may be, for any and all purposes.

Section 8.5. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that Obligations delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Obligation Outstanding at such effective date and presentation of the affect Obligation for such purpose at the office of the Trustee, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to such Obligation Owners' action, which substitute Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Obligation then Outstanding, such substitute Obligation shall be exchanged at the Designated Office of the Trustee, without cost to such Owner, for an Obligation of the same character then Outstanding, upon surrender of such Obligation Outstanding hereunder.

Section 8.6. Amendatory Endorsement of Obligations. The provisions of this Article shall not prevent any Obligation Owner from accepting any amendment or supplement as to the particular Obligations held thereby, provided that proper notation thereof is made on such Obligations.

ARTICLE IX COVENANTS, NOTICES

Section 9.1. Compliance With and Enforcement of Purchase Agreement. The City shall perform all obligations and duties imposed on it under the Purchase Agreement and shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting any such action will deliver the same, or a copy thereof, to the Trustee.

Section 9.2. Observance of Laws and Regulations. The City shall well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision,

to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 9.3. Recordation and Filing. The City shall file this Trust Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Owners. The Trustee has no duty or obligation to determine the sufficiency of any such filings.

Section 9.4. Further Assurances. The Trustee (at the reasonable request of the City) and the City shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Purchase Agreement and for the better assuring and confirming unto the Owners the rights and benefits provided herein.

Section 9.5. Notification to the City of Failure to Make Payments. The Trustee shall notify the City of any failure by the City to make any Payment or other payment required under the Purchase Agreement to be made to the Trustee, in writing and within one (1) Business Day of any such failure. Such notice shall not be a prerequisite for the occurrence of an Event of Default.

Section 9.6. Business Days. Except as otherwise required herein, if this Trust Agreement or the Purchase Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE X LIMITATION OF LIABILITY

Section 10.1. Limited Liability of the City. Except for the payment of Payments from the revenues from the Excise Taxes and the State Shared Revenues when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Obligations or the distribution of Payments to the Owners by the Trustee.

Section 10.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 10.3. Indemnification of the Trustee.

(a) To the extent permitted by law, the City shall indemnify and save the Trustee and its officers, directors, agents and employees, harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (1) the use, maintenance, condition or management of, or from any work or thing done on, the Prior Project or any portion thereof or interest therein by the City; (2) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Prior Project or any interest therein; (3) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Prior Project; (4) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Prior Project; (5) the acquisition of the Prior Project or any interest therein; (6) the actions of any other party, including but not limited to the operation or use of the Prior Project or interest therein by the City; (7) the ownership of the Prior Project or interest therein; (8) the exercise and performance by the Trustee of its powers and duties hereunder, under the Purchase Agreement or the Obligations or in connection with any document or transaction contemplated herewith or therewith or (9) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Obligations, including the costs and expenses of defending itself against any claim of liability arising under this Trust Agreement. No indemnification will be made under this Section or elsewhere in this Trust Agreement for willful misconduct, negligence or breach of duty under this Trust Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. As security for the payment of amounts due under Section 7.5 and this Section, the Trustee shall be secured under this Trust Agreement by a lien prior to that for the Obligations. The obligations of the City hereunder for indemnification under this Section shall remain valid and binding notwithstanding, and shall survive, the payment or prepayment of principal represented by the Obligations or resignation or removal of the Trustee or the termination of this Trust Agreement.

(b) Promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt of notice of the commencement of any action in respect of which indemnity may be sought hereunder, the Trustee shall notify the City in writing of such circumstances or action (the "Notification"). Failure to give such notification shall not affect the right of the Trustee to receive the indemnification provided for herewith. Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by the City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder. The City shall not settle or compromise any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee

shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion, at the expense of the City. In the event the City is required to and does indemnify the Trustee as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 10.4. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XI EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 11.1. Seller's Rights Held in Trust. As provided herein, the Trustee holds in trust hereunder all of the Seller's rights in and to the Purchase Agreement, including without limitation all of the Seller's rights to exercise such rights and remedies conferred on the Seller pursuant to the Purchase Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of the revenues from the Excise Taxes and the State Shared Revenues for the payment of the Obligations.

Section 11.2. Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything herein or in the Purchase Agreement to the contrary, there shall be no right under any circumstances to accelerate the payment dates of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Section 11.3. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of this Article XI or Section 9 of the Purchase Agreement shall be applied by the Trustee in the order following:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to the Trustee's or the Owners' agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations and, in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or

of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 11.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 11.5. Non-waiver. Except as otherwise provided in this Article, the Owners have the right to institute suit to enforce and collect the Payments as provided in the Purchase Agreement. No delay or omission of the Trustee or of any Owner of any of the Obligations to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owners of the Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners of the Obligations.

Section 11.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of the Owners of a majority in aggregate principal amount of the Obligations Outstanding.

Section 11.7. Limitation on Obligation Owners' Right to Sue.

(a) The Owners shall not have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (1) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (2) the Owners of at least a majority in aggregate principal amount of all Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) said Owners shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

(b) Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Obligations of any remedy hereunder; it being understood and intended that no one or

more Owners of Obligations shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Obligations Outstanding hereunder.

(c) The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

ARTICLE XII MISCELLANEOUS

Section 12.1. Defeasance.

(a) If and when any Obligation Outstanding hereunder or portion thereof shall be paid and discharged in any one or more of the following ways:

(1) By paying or causing to be paid the principal and interest represented by such Obligation, as and when the same become due and payable;

(2) By depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest represented by the Obligation due on such Obligation; or

(3) By depositing with a Depository Trustee, in trust for such purpose, Defeasance Obligations which are noncallable in such amount as shall be certified to the Trustee by a verification report of an independent nationally recognized certified public accountant or firm of such accountants acceptable to the Trustee (a "Verification Report"), as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest of such Obligations at their respective payment or prepayment dates, which deposit may be made in accordance with the provisions of Section 7 of the Purchase Agreement.

(b) Any funds held by the Trustee, at the time of one of the events described in paragraph (a) of this Section, which are not required for the payment to be made to the Owners or for the payment of any other amounts due and payable by the City hereunder or under the Purchase Agreement, shall be paid over to the City.

(c) Any Obligation or portion thereof in Authorized Denominations may be paid and discharged as provided in this Section; provided however, that if principal represented by such Obligation is to be optionally prepaid, notice of such prepayment shall have

been given in accordance with the provisions hereof or the City shall have submitted to the Trustee instructions to be irrevocable as to the date upon which such Obligation or portion thereof is to be prepaid and as to the giving of notice of such prepayment; and provided further, that if any of such Obligation or portion thereof will not be payable within sixty (60) days of the deposit referred to in subsections (a)(2) or (3) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

(d) No Tax-Exempt Obligation may be provided for as described in this Section if, as a result thereof, or of any other action in connection with which the provisions for payment of such Tax-Exempt Obligation is made, the interest payable on any Tax-Exempt Obligation is thereby made includable in gross income for federal income tax purposes. The Trustee, the Depository Trustee, and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this Subsection will not be breached by so providing for the payment of any Tax-Exempt Obligations.

Section 12.2. Notices. All written notices to be given under this Trust Agreement shall be given by overnight delivery or courier or by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States of America mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City: City of San Luis, Arizona
1090 East Union Street
P.O. Box 1170
San Luis, Arizona 85349
Attention: Finance Director

If to the Trustee: U.S. Bank National Association
101 North First Avenue, Suite 1600
Phoenix, Arizona 85003
Attention: Global Corporate Trust Services

Section 12.3. Incorporation of State Statutes.

(a) As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Trust Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Trust Agreement on behalf of the City within three years from the execution of this Trust Agreement, unless a waiver of Section 38-511,

Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Trust Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the “e-verify” requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Trust Agreement and may result in the termination of the services of the Trustee. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Trustee hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the City determines that the Trustee’s certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 12.4. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 12.5. Binding Effect and Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.6. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Trust Agreement.

Section 12.7. Destruction of Cancelled Obligations. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Obligations, the Trustee may destroy such Obligations and, upon the City’s request, deliver a certificate of such destruction to the City instead.

Section 12.8. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words “herein,”

“hereof,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.9. Parties Interested Herein. Nothing in this Trust Agreement or the Obligations, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the Owners, any legal or equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owners, from time to time, of the Obligations.

Section 12.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.11. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

ARTICLE XIII [PROVISIONS RELATING TO POLICY AND INSURER]

Section 13.1. Applicability of this Article. Notwithstanding anything herein or in the Purchase Agreement to the contrary, the provisions of this Article shall be applicable and shall supersede any conflicting provisions herein or in the Purchase Agreement so long as the Policy is in effect and, except with respect to amounts already due to the Insurer thereunder against which the following shall not be a defense and with regard to which the Insurer will be treated like any other Owner of the Obligations, there is no Insurer Default.

Section 13.2. Notice and Other Information to be given to the Insurer. The City will provide the Insurer with all notices and other information it is obligated to provide (i) under the Continuing Disclosure Undertaking and (ii) to the Owners of the Obligations or the Trustee under the Purchase Agreement or this Trust Agreement.

The notice address of the Insurer is: Build America Mutual Assurance Company, 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, NY 10281, Attention: Surveillance, Re: Policy Nos. 2017B0613 and 2017B0614, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case

in which notice or other communication refers to an Event of Default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's general counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

Section 13.3. Defeasance.

(a) Defeasance Obligations will be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise may be authorized under State law and approved by the Insurer.

(b) At least three (3) Business Days prior to any defeasance with respect to the Obligations, the City shall deliver to the Insurer draft copies of an escrow agreement, an opinion of Special Counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Obligations and a Verification Report regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to the Insurer and shall be in form and substance satisfactory to the Insurer. In addition, the escrow agreement shall provide that:

(1) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of Special Counsel that such substitution will not adversely affect the exclusion from gross income of the Owners of the Tax-Exempt Obligations of the interest on the Tax-Exempt Obligations for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(2) The City will not exercise any prior optional prepayment of the Tax-Exempt Obligations secured by the escrow agreement or any other prepayment other than mandatory prepayment unless (i) the right to make any such prepayment has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding obligations, and (ii) as a condition to any such prepayment there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment.

(3) The City shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Section 13.4. Trustee.

(a) The Insurer shall receive prior written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any Trustee must be (1) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (2) a state-chartered commercial bank that is a member of the

Federal Reserve System and has at least \$1 billion of assets, or (3) otherwise approved by the Insurer in writing.

(b) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Insurer, shall be qualified and appointed.

Section 13.5. Amendments, Supplements and Consents. The Insurer's prior written consent is required for all amendments and supplements to the Purchase Agreement or this Trust Agreement, with the exceptions noted below. The City shall send copies of any such amendments or supplements to the Insurer and the rating agencies which have assigned a rating to the Obligations.

(a) Any amendments or supplements to the Purchase Agreement and this Trust Agreement shall require the prior written consent of the Insurer with the exception of amendments or supplements:

(1) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the Purchase Agreement or this Trust Agreement or in any supplement thereto, or

(2) To grant or confer upon the Owners of the Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners of the Obligations, or

(3) To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Purchase Agreement or this Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

(4) To add to the covenants and agreements of the City in the Purchase Agreement and this Trust Agreement other covenants and agreements thereafter to be observed by the City or to surrender any right or power therein reserved to or conferred upon the City.

(b) Any amendment, supplement, modification to, or waiver of, the Purchase Agreement or this Trust Agreement that requires the consent of Owners of the Obligations or materially adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(c) Any reorganization or liquidation plan with respect to the City must be acceptable to the Insurer. In the event of any reorganization or liquidation of the City, the Insurer shall have the right to vote on behalf of all Owners of the Obligations absent a continuing failure by the Insurer to make a payment under the Policy.

(d) Upon the occurrence and continuance of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Obligations or the Trustee for the benefit of the Owners of the Obligations

under the Purchase Agreement or this Trust Agreement. No Event of Default may be waived without the Insurer's written consent.

(e) Upon the occurrence and continuance of an Event of Default, the Insurer shall be deemed to be the sole Owner of the Obligations for all purposes under the Purchase Agreement or this Trust Agreement, including, without limitation, for purposes of exercising remedies and approving amendments.

Section 13.6. The Insurer As Third Party Beneficiary. To the extent that this Trust Agreement or the Purchase Agreement confer upon or give or grant to the Insurer any right, remedy or claim under or by reason of this Trust Agreement or the Purchase Agreement, the Insurer shall be recognized explicitly as being a third party beneficiary hereunder and thereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder and thereunder.

Section 13.7. Payment Procedure Under the Policy.

(a) In the event that principal of and/or interest due on the Obligations shall be paid by the Insurer pursuant to the Policy, the Obligations shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the City to the Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Owners including, without limitation, any rights that such Owners may have in respect of securities law violations arising from the offer and sale of the Obligations.

(b) In the event that on the second Business Day prior to any payment date on the Obligations, the Trustee has not received sufficient moneys to pay all principal of and interest on the Obligations due on such payment date, the Trustee shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

(c) In addition, if the Trustee has notice that any Owner of the Obligations has been required to disgorge payments of principal of or interest on the Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

(d) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Obligations as follows:

(1) If there is a deficiency in amounts required to pay interest and/or principal on the Obligations, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent

and attorney-in-fact for such Owners of the Obligations in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Obligations, (ii) receive as designee of the respective Owners (and not as paying agent) in accordance with the tenor of the Policy payment from the Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective Owners; and

(2) If there is a deficiency in amounts required to pay principal of the Obligations, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Owner of the Obligations in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Obligations surrendered to the Insurer, (ii) receive as designee of the respective Owners (and not as paying agent) in accordance with the tenor of the Policy payment therefore from the Insurer, and (iii) disburse the same to such Owners.

The Trustee shall designate any portion of payment of principal on the Obligations paid by the Insurer, whether by virtue of mandatory payment or other advancement of payment, on its books as a reduction in the principal amount of the Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Obligation to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Obligation shall have no effect on the amount of principal or interest payable by the City on any Obligation or the subrogation or assignment rights of the Insurer.

(e) Payments with respect to claims for interest on and principal of the Obligations disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the City with respect to such Obligations, and the Insurer shall become the owner of such unpaid Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

(f) Irrespective of whether any such assignment is executed and delivered, the City and the Trustee agree for the benefit of the Insurer that:

(1) The City and the Trustee recognize that to the extent the Insurer makes payments directly or indirectly (*e.g.*, by paying through the Trustee), on account of principal of or interest on the Obligations, the Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the City, with interest thereon, as provided and solely from the sources stated in the Purchase Agreement, this Trust Agreement and the Obligations; and

(2) The City and the Trustee will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the Purchase Agreement, this Trust Agreement and the Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest

on the Obligations to Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

Section 13.8. Exercise of Rights by the Insurer.

(a) The rights granted to the Insurer under the Purchase Agreement and this Trust Agreement, to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Obligations and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners of the Obligations or any other person is required in addition to the consent of the Insurer.

(b) The Insurer shall be entitled to pay principal of or interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Policy) in accordance with the Purchase Agreement or this Trust Agreement, whether or not the Insurer has received a claim upon the Policy.]

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the day and year first above written.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By.....
Printed Name:
Title:

CITY OF SAN LUIS, ARIZONA

By.....
Mayor

ATTEST:

.....
City Clerk

EXHIBIT

(Form of Obligations)

Unless this Obligation is presented by an authorized representative of The Depository Trust Company of New York, a New York corporation ("DTC"), to the Trustee (or any successor registrar) for registration of transfer, exchange, or payment, and any Obligation issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.¹

Number: R-.....

Principal Amount: \$.....

CITY OF SAN LUIS, ARIZONA
PLEGGED EXCISE TAX REVENUE REFUNDING OBLIGATION,
[TAX-EXEMPT²/TAXABLE³] SERIES 2017[A²/B³]

<u>Interest Rate:</u>	<u>Payment Date:</u>	<u>Dated Date:</u>	<u>CUSIP:</u>
.....%	July 1, 20.....	_____, 2017	79854W

REGISTERED OWNER: CEDE & CO.¹

PRINCIPAL AMOUNT: DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Pledged Excise Tax Revenue Refunding Obligation, [Tax-Exempt²/Taxable³] Series 2017[A²/B³] (this "Obligation") is the owner of an undivided, participatory, proportionate interest in the right to receive certain "Payments" under and defined in that certain Second Excise Tax Purchase Agreement, dated as of _____ 1, 2017 (the "Purchase Agreement"), by and between (the "Trustee"), and the City of San Luis, Arizona, a municipal corporation under the laws of the State of Arizona (the "City"), which Payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under that certain Second Excise Tax Trust Agreement, dated as of _____ 1, 2017 (the "Trust Agreement"), by and between the City and the Trustee. The Trustee maintains a corporate trust office for transfer of this Obligation (the "Designated Office").

The registered owner of this Obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the payment date set forth above, the principal amount set forth

¹ Insert so long as DTC is the Securities Depository.

² Insert in the Tax-Exempt Obligation.

³ Insert in the Taxable Obligation.

above, representing a portion of the payments due designated as principal coming due, and to receive semiannually on January 1 and July 1 of each year commencing _____ 1, 20__ (the "Interest Payment Dates"), until payment in full of said portion of principal or prepayment prior thereto, the registered owner's proportionate share of the portion of the Payments designated as interest coming due during the period commencing on the last date on which interest was paid and ending on the day prior to the Interest Payment Date or, if no interest has been paid, from the Dated Date specified above. Said interest is the result of the multiplication of said principal by the interest rate per annum set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Said amounts representing the registered owner's share of the Payments designated as interest are payable in lawful money of the United States of America by check mailed when due by first class mail by the Trustee to the registered owner in whose name this Obligation is registered at the close of business on the fifteenth (15th) day of the calendar month next preceding the Interest Payment Date at the address thereof as it appears on the registration books for the Obligations maintained by the Trustee. Said amounts representing the registered owner's share of the Payments designated as principal are payable when due upon surrender of this Obligation at the Designated Office. Principal and interest payable to any owner of \$1,000,000 or more in principal amount of the series of obligations of which this Obligation is a part (the "Obligations") may be paid by wire transfer in immediately available funds to an account in the United States of America if the owner makes a written request of the Trustee at least twenty (20) days before the date of payment specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

The Trustee has no obligation or liability to the registered owners of the Obligations for the payment of interest or principal represented by the Obligations. The Trustee's sole obligations are to administer, for the benefit of the registered owners of the Obligations, the various funds and accounts established pursuant to the Trust Agreement. (The recitals, statements, covenants and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.)

This Obligation has been executed and delivered by the Trustee pursuant to the terms of, and for the purposes described in, the Trust Agreement. The City is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by resolution of the Mayor and Council of the City adopted August 30, 2017. Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office) for further definitions, the terms, covenants and provisions pursuant to which the Obligations are delivered, the rights thereunder of the registered owners of the Obligations, the terms under which the Trust Agreement or the Purchase Agreement may be modified or supplemented, the rights, duties and immunities of the Trustee and the security for, and the rights and obligations of the City under the Purchase Agreement (including with respect to certain obligations secured on a prior lien basis, and to be secured on a parity lien basis, with the security for the Payments and to certain limitations on such security), to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by



acceptance hereof, assents and agrees. (To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement and the Purchase Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal represented by all of the Obligations then outstanding, and may be amended without such consent under certain circumstances but in no event such that the interests of the owners of the Obligations are adversely affected, provided that no such amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Payment thereof in accordance with such owner's Obligation.)

The obligation of the City to make the Payments does not represent or constitute a general obligation of the City for which the City is obligated to levy or pledge any form of taxation nor does the obligation to make the Payments under the Purchase Agreement constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction or otherwise.

Neither the Trustee nor the registered owners of the Obligations shall have any right under any circumstances to accelerate the payment date of the Obligations or otherwise declare any of the Payments not then past due or in default to be immediately due and payable. (This Obligation represents an interest in a limited obligation of the City (as described herein), and no member of the Mayor and Council, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.)

The Obligations are executed and delivered only in fully registered form in denominations of \$5,000 of principal represented by the Obligations due on a specific payment date or integral multiples thereof. The Obligations shall not be transferable or exchangeable, except as provided in the Trust Agreement.

This Obligation may be exchanged for an Obligation or Obligations of like series and aggregate payment amount in authorized denominations having the same maturity date and interest rate.

This Obligation is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Designated Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Obligation. Upon such transfer a new Obligation or Obligations, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Obligation shall be overdue, and the City and the Trustee shall not be affected by any notice to the contrary.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or governmental charges required by law in connection with the exchange or transfer.

[The Trustee may, but shall not be obligated to, exchange or register the transfer of this Obligation (i) if this Obligation has been selected for prepayment, in whole or in part, or

(ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If this Obligation is transferred after having been selected for prepayment, any notice of prepayment which has been given to the transferor shall be binding on the transferee, and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.^{1]}

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Purchase Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

[Principal represented by the Obligations is not subject to prepayment prior to their stated payment dates.^{2]}

[Principal represented by the Obligations payable before or on July 1, 20__, is not subject to prepayment. Principal represented by the Obligations payable on or after July 1, 20__, is subject to prepayment in such order and from such principal amounts payable as may be selected by the City, in whole or in part on any date on or after July 1, 20__, at a price equal to the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment without a premium.

Principal represented by the Obligations payable on July 1, 2034, shall be prepaid on July 1 of the years indicated and in the principal amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

Year Prepaid

Principal Amount Prepaid

Principal represented by the Obligations payable on July 1, 2038, shall be prepaid on July 1 of the years indicated and in the principal amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

Year Prepaid

Principal Amount Prepaid

Whenever Obligations payable on July 1, 20__, and July 1, 20__, are purchased, prepaid (other than pursuant to mandatory prepayment) or delivered by the City to the Trustee for cancellation, the principal amount of the Obligations payable on July 1, 20__, and July 1,

¹ Insert in the Tax-Exempt Obligation.

² Insert in the Taxable Obligation.

20__, so retired shall satisfy and be credited against the mandatory prepayment requirements for such Obligations payable on July 1, 20__, and July 1, 20__, for such years as the City may direct.

The Trustee shall give notice of any prepayment of this Obligation as provided above no more than 60 nor less than 30 calendar days prior to the prepayment date to the registered owner at its address shown on the registration books maintained by the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

If at the time of mailing of the notice of prepayment there has not been deposited with the Trustee moneys or eligible securities sufficient to prepay and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the prepayment and satisfaction of such conditions. If the principal represented by the Obligations is subject to prepayment and if on the prepayment date moneys for the prepayment thereof are held by the Trustee and those other conditions are met, thereafter such principal to be prepaid shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement.

The Trustee may, but shall not be obligated to, register the transfer of this Obligation (i) if this Obligation has been selected for prepayment, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If this Obligation is so transferred, any notice of prepayment which has been given to the transferor shall be binding on the transferee, and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation.^{1]}

This Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

IN WITNESS WHEREOF, this Obligation has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution:

....., as Trustee

By.....
Authorized Representative

¹ Insert in the Tax-Exempt Obligation.

[STATEMENT OF INSURANCE

Build America Mutual Assurance Company (“BAM”), New York, New York, has delivered its municipal bond insurance policy (the “Policy”) with respect to the scheduled payments of principal of and interest on this Obligation to U.S. Bank National Association, or its successor, as trustee for the Obligations (the “Trustee”). Said Policy is on file and available for inspection at the principal office of the Trustee and a copy thereof may be obtained from BAM or the Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Obligations, the Owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned (the "Transferor"), hereby sells, assigns and transfers unto (the "Transferee"), whose address is and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

.....
.....

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints as attorney to register the transfer of the within certificate on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date:
SIGNATURE(S) GUARANTEED BY:

.....
Firm or Bank

.....
Authorized Signature

Signature(s) guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or other guarantee program acceptable to the Trustee or Registrar

.....
NOTICE: No transfer will be registered and no new certificate will be issued in the name of the Transferee, unless that signature(s) to this assignment correspond(s) with the name as it appears on the face of the within certificate in every particular, without alteration or enlargement or any change whatever and name, address and the Social Security Number or federal employee identification number of the Transferee is supplied

The following abbreviations when used in the inscription on the face of the within certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - Custodian for
(Cust.) (Minor)

under Uniform Gifts/Transfers to Minors Act of
(State)

Additional abbreviations may also be used though not in list above.

DRAFT
08/15/17

ESCROW TRUST AGREEMENT

by and between

THE CITY OF SAN LUIS, ARIZONA,

and

U.S. BANK NATIONAL ASSOCIATION[??],
as Escrow Trustee

Dated as of _____ 1, 2017

ESCROW TRUST AGREEMENT

THIS ESCROW TRUST AGREEMENT, dated as of _____ 1, 2017, by and between THE CITY OF SAN LUIS, ARIZONA (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America and authorized to exercise trust powers under the laws of the State of Arizona, as escrow trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, the Mayor and Council of the City determined that it would be beneficial to its citizens to finance the costs of acquisition and renovation of a building and related site and reimbursement of cost overruns associated with certain capital improvements (the "Project"); and

WHEREAS, in order to finance the costs of the Project, the Mayor and Council of the City deemed it necessary and desirable to borrow \$13,750,000 from the Greater Arizona Development Authority, a body corporate and politic constituting a governmental instrumentality duly organized and existing within the State of Arizona under the Constitution and laws of the State of Arizona ("GADA"); and

WHEREAS, in connection therewith, the City and GADA entered into a Loan Repayment Agreement, dated as of February 1, 2009 (the "Loan Agreement"); and

WHEREAS, in order to obtain the funds with which it made the loan pursuant to the Loan Agreement, GADA issued and sold its Infrastructure Revenue Bonds, Series 2009A (the "GADA Bonds");

WHEREAS, pursuant to Section 2(h) of the Loan Agreement, any installment of principal due from the City (a) with respect to the GADA Taxable Loan (as defined in the Loan Agreement) maturing on or after August 1, 2020, may be prepaid by the City so that such amount of the corresponding GADA Taxable Bonds (as defined in the Loan Agreement) may be redeemed at any time on or after August 1, 2019, or (b) with respect to the GADA Tax-Exempt Loan (as defined in the Loan Agreement) maturing on or after August 1, 2019, may be prepaid by the City so that such amount of the corresponding GADA Tax-Exempt Bonds (as defined in the Loan Agreement) may be redeemed at any time on or after August 1, 2018, in either case at a prepayment price equal to the principal amount being prepaid (in integral multiples of \$5,000), together with accrued interest to the prepayment date, interest from the prepayment date until the prepayment of the corresponding GADA Bonds and any premium coming due on the prepayment date for the corresponding GADA Bonds; and

WHEREAS, pursuant to Section 9 of the Loan Agreement, the City may provide for the payment of any principal and interest with respect to the Loan Agreement by depositing in trust for such purpose, any United States Obligations which are noncallable, in such amount as shall be certified to GADA and the City, by a national firm of certified public accountants acceptable to both GADA and the City, as being fully sufficient, together with the interest to

accrue thereon and moneys then on deposit with GADA and allocated to such payment, to make, or cause to be made, such payment at its scheduled due date or on a date on which it can be prepaid; and

WHEREAS, cash and certain obligations described herein have been deposited with the Trustee to pay all of the remaining amounts due pursuant to the Loan Agreement (the "Obligation Being Prepaid");

WHEREAS, the Mayor and Council of the City authorized this Escrow Trust Agreement with the Trustee with respect to the safekeeping and handling of the moneys and securities to be held in trust for the payment of the Obligation Being Prepaid; and

NOW, THEREFORE, PURSUANT TO LAW AND FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. On _____, 2017 (the "Delivery Date"), the City deposited, or caused to be deposited, cash in the amount of \$_____ (the "Initial Cash Deposit"), which cash shall be held uninvested, and the securities described in in the Verification Report (the "Securities") of Grant Thornton LLP regarding the Obligation Being Prepaid (the "Report") (or additional funds sufficient to permit the Trustee to purchase such securities on the Delivery Date), to be held by the Trustee in a special and separate trust fund, designated as the "City of San Luis, Arizona Refunding Trust Fund (2017)" (the "Trust Fund"). As determined in the Report, the principal amount of the Securities, together with the scheduled interest thereon and the Initial Cash Deposit, are sufficient to assure that the funds available in the Trust Fund shall be sufficient to pay promptly the principal of and interest with respect to the Obligation Being Prepaid as the same becomes payable or is prepaid.

Section 2. (A) The Trustee shall, at all times, hold the Securities and the Initial Cash Deposit in the Trust Fund for the account of the City and for the benefit of the obligees of the Obligation Being Prepaid and shall maintain the Trust Fund wholly segregated from other funds and securities on deposit with the Trustee, shall never commingle the Securities and other moneys with other funds or securities of the Trust Fund and shall never at any time use, loan or borrow the same in any way, so that sufficient funds always shall be available to pay the interest and principal requirements with respect to the Obligation Being Prepaid as the same accrue and become due and payable from time to time, at payment or prepayment, as set forth in the Report (collectively, the "Payment Schedules").

(B) The Trustee shall reinvest cash balances held in the Trust Fund, to the extent not required for the payment of the principal of and interest with respect to the Obligation Being Prepaid, in United States Treasury Certificates of Indebtedness, State and Local Government Series ("SLGS"), at a zero percent (0.0%) interest rate, maturing on the semiannual debt service payment date for the Obligation Being Prepaid (the "Restricted Reinvestment Obligations"), provided that amounts which may not be so invested shall be held in cash and shall not be invested. (The Initial Cash Deposit shall be held in the Trust Fund in cash and shall not be invested.) Such investments shall be made only to the extent permitted by, and shall be made in accordance with, the applicable statutes, rules and regulations governing such

investments issued by the Bureau of Fiscal Service. Such rules and regulations currently require that a subscription for purchase of the investment be submitted at least fifteen (15) (or, for subscriptions of less than \$10,000,000 five (5)) but no more than sixty (60) days prior to the date of investment. If the Trustee learns that the Department of the Treasury or the Bureau of Fiscal Service will not, for any reason, accept a subscription of SLGS that is to be submitted pursuant to this Escrow Trust Agreement, the Trustee shall promptly request alternative written investment instructions from the City with respect to funds which were to be invested in SLGS. Such instructions shall provide that alternative investments shall be in the form of any United States Obligations which are noncallable. The Trustee shall follow such instructions and, upon the maturity of any such alternative investment (the "Alternate Investment"), the Trustee shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the City. In the absence of investment instructions from the City, the Trustee shall not be responsible for the investment of such funds or interest thereon. The Trustee may conclusively rely upon the City's selection of an Alternate Investment as a determination of the Alternate Investment's legality and suitability and shall not be liable for any losses related to the Alternate Investments or for compliance with any yield restriction applicable thereto.

(C) The Trustee may sell or redeem the Securities in advance of their maturity dates and invest the proceeds of such sale or redemption or other moneys credited to the Trust Fund in connection with such sale or redemption in other non-callable obligations issued or guaranteed by the United States of America (the "Substitute Securities") only upon receipt of written instructions from the City to do so and receipt by the parties hereto and the Obligations Trustee and GADA of the following, addressed to each such party: (1) an opinion in form and substance satisfactory to them from a nationally recognized bond counsel to the effect that such action will not affect adversely the status of the interest on the Obligation Being Prepaid for federal income tax purposes and will not affect adversely the right of the City to issue obligations the interest on which is excludable from gross income for federal income tax purposes and (2) a report from a nationally recognized accountant or firm of accountants verifying the accuracy of the arithmetic computations of the adequacy of the proceeds from the liquidation together with any other moneys and the maturing principal of and interest on the Substitute Securities to be credited to the Trust Fund, to pay when due the interest with respect to the Obligation Being Prepaid and the principal of the Obligation Being Prepaid as they become due at maturity. Upon any such sale or redemption of investments and reinvestment, any amounts not needed in the Trust Fund to provide for payments with respect to the Obligation Being Prepaid, as shown by such accountant's report, may be withdrawn from the Trust Fund at the direction of the City and applied for the benefit of the City in accordance with applicable law.

Section 3. The debt service with respect to the Obligation Being Prepaid shall be paid from the Trust Fund from the following sources in the order listed below:

(A) The Initial Cash Deposit.

(B) Cash receipts from the Securities, the Restricted Reinvestment Obligations, the Alternate Investments or the Substitute Securities.

Amounts available from such sources shall be applied consistently with the Payment Schedules.

Section 4. Any moneys credited to the Trust Fund which are not invested in the Securities, the Restricted Reinvestment Obligations, the Alternate Investments or the Substitute Securities as provided herein shall be held as a demand deposit and shall be secured in the same manner as deposits of public moneys.

Section 5. (A) The Trustee shall make timely payments from the Trust Fund to GADA for purposes of amounts due with respect to the Loan Agreement, in the amounts and on the dates necessary to permit the payment when due of the principal of and interest with respect to the Obligation Being Prepaid as the same become due and payable or when the Obligation Being Prepaid are to be prepaid, all as set forth in the Payment Schedules.

(B) The Trustee shall cause the notice of intent to prepay the Loan Repayment Agreement, in substantially the form shown as the Exhibit hereto to be given to GADA and the GADA Trustee (as defined in the Loan Repayment Agreement) at least forty-five (45) days prior to the respective date of prepayment of the GADA Taxable Loan and the GADA Tax-Exempt Loan.

Section 6. If at any time or times there are insufficient funds on hand in the Trust Fund for the payment of the principal of and interest with respect to the Obligation Being Prepaid as the same become due, the Trustee shall promptly notify the City of such deficiency by telephone and by registered or overnight mail, postage prepaid.

Section 7. On or before February 15 and August 15, the Trustee shall submit to the City a report covering all moneys the Trustee has received and all payments the Trustee has made under the provisions hereof during the six-month period ending on the preceding January 31 or July 31. Each such report also shall list all investments and moneys on deposit with the Trustee as of the date of the report.

Section 8. (A) The Trustee shall be entitled to a fee of \$_____ for normally occurring services provided hereunder by it, the receipt of which it hereby acknowledges, and the City shall pay the Trustee for any additional extraordinary fees and expenses (including legal fees and expenses) incurred by it hereunder as agreed between them from time to time.

(B) The Trustee hereby waives and releases any claim which it otherwise would have, as a lien or otherwise, against the Trust Fund for any payment and shall seek such amounts from the City only for the payment of fees and expenses of the Trustee for all other services in connection with services of the Trustee hereunder.

Section 9. When all amounts payable with respect to the Obligation Being Prepaid have become due and the Trustee has on deposit all moneys necessary for the payment of such amounts, and in any event on the business day succeeding the date the Obligation Being Prepaid is paid, the Trustee shall transfer to the City all moneys and investments credited to the Trust Fund in excess of the amounts payable with respect to the Obligation Being Prepaid.

Section 10. This Escrow Trust Agreement shall not be revoked and shall not be amended in any manner which may materially, adversely affect the rights herein sought to be

protected until the provisions of this Escrow Trust Agreement have been fully carried out, as evidenced by an opinion of counsel delivered to the Trustee.

Section 11. (A) The Trustee shall be under no obligation to inquire into or be otherwise responsible for the performance or nonperformance by the City of any of its obligations or to protect any of the rights of the City under any of the proceedings with respect to the Obligation Being Prepaid. The Trustee shall not be liable for any act done or step taken or omitted by it or for any mistake of fact or law or for anything which it may do or refrain from doing except for its negligence or its willful misconduct in the performance of any obligation imposed upon it under the terms of this Escrow Trust Agreement. The Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Escrow Trust Agreement in compliance with the provisions hereof.

(B) None of the provisions of this Escrow Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

(C) The Trustee may at any time resign by giving 30 days' written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Trustee from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the City, the resigning Trustee and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor.

(D) The City shall, to the extent permitted by applicable law, indemnify, defend and hold harmless the Trustee and its officers, directors, employees and agents, from and against and reimburse the Trustee for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Trustee directly or indirectly relating to, or arising from, claims against the Trustee by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Trustee's negligence or willful misconduct. The foregoing sentence shall survive the termination of this Escrow Trust Agreement or the earlier resignation or removal of the Trustee.

(E) Anything in this Escrow Trust Agreement to the contrary notwithstanding, in no event shall the Trustee be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits).

Section 12. The City shall have the right to audit the records and accounts of the Trustee insofar as they pertain to the trust created hereunder.

Section 13. (A) Except as provided elsewhere herein, neither this Escrow Trust Agreement nor the Trust Fund may be assigned by the Trustee without the prior written consent of the City, which consent, however, shall not be withheld unreasonably. If the Trustee is required by law to divest itself of its interest in its trust department or if the Trustee sells or otherwise assigns all or substantially all of its trust or corporate trust business, then the trust established by this Escrow Trust Agreement shall be continued by the Trustee's successor in interest without further consent of the City being required.

(B) Notwithstanding the foregoing subsection, any trust company or national banking association into which the Trustee or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business as a whole shall be the successor of the Trustee with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 14. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have executed this Escrow Trust Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains any ambiguity which may be construed as either valid or invalid, the valid construction shall be adopted. In construing this Escrow Trust Agreement, it should be noted that the parties intend that the Obligation Being Prepaid to be an obligation the interest on which is excludable from gross income under section 103(a) of the Internal Revenue Code of 1986, as amended, and the provisions hereof should be construed to permit that result.

Section 15. Notice shall be sufficient hereunder, if it is contained in a writing sent to the City at City of San Luis, Arizona, 1090 East Union Street, P.O. Box 1170, San Luis, Arizona 85349, Attention: Finance Director, and to the Trustee at U.S. Bank National Association, 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003, Attention: Global Corporate Trust Services, or any other address which may be designated from time to time by any party in writing delivered to the City or the Trustee, as applicable.

Section 16. This Escrow Trust Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This Escrow Trust Agreement expresses the entire understanding and all agreements of the parties hereto with each other with respect to the subject matter hereof and no party hereto has made or shall be bound by

any agreement or any representation to any other party which is not expressly set forth in this Escrow Trust Agreement.

Section 17. (A) To the extent applicable by provision of law, the Trustee acknowledges that this Escrow Trust Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that the City may within three years after its execution cancel any contract (including this Escrow Trust Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

(B) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes, as amended. The breach by the Trustee of the foregoing shall be deemed a material breach of this Escrow Trust Agreement and may result in the termination of the services of the Trustee by the City. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the foregoing. The Trustee shall keep such papers and records open for random inspection during normal business hours by the City. The Trustee shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential. The City shall preserve the confidentiality of any information, records, or papers the City needs, accesses, or otherwise obtains during any and every such random inspection, including, without limitation, such information.

(C) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Trustee hereby certifies it is not currently engaged in, and for the duration of this Escrow Trust Agreement shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the City determines that the Trustee's certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 18. This Escrow Trust Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute but one instrument.

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Trust Agreement to be executed as of the day and year first above written.

CITY OF SAN LUIS, ARIZONA

By.....
Mayor

ATTEST:

.....
Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By.....
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee with respect to the GADA Bonds

By.....
Authorized Representative

and

GREATER ARIZONA DEVELOPMENT
AUTHORITY

By.....

Printed Name:

Title:

EXHIBIT

NOTICE OF INTENT TO PREPAY
AND PROVIDING FOR PAYMENT

CITY OF SAN LUIS, ARIZONA
LOAN REPAYMENT AGREEMENT,
WITH GREATER ARIZONA DEVELOPMENT AUTHORITY,
DATED AS OF FEBRUARY 1, 2009

TO: U.S. BANK NATIONAL ASSOCIATION
GREATER ARIZONA DEVELOPMENT AUTHORITY

Notice is hereby given that the payment of all principal installments of the above described loan has been provided for pursuant to Section 9 of the above-described Loan Repayment Agreement, dated as of February 1, 2009 (the "Loan Repayment Agreement"), by and between the City of San Luis, Arizona (the "City"), and the Greater Arizona Development Authority ("GADA") by the deposit, with U.S. Bank National Association in trust for such purpose, of cash and United States Obligations which are non-callable, in such amount as had been certified to GADA and the City in a verification report (the "Verification Report") by a national firm of certified public accountants acceptable to both GADA and the City, as being fully sufficient, together with interest to accrue thereon, to make, or cause to be made, the payments on the dates and in the amounts (plus interest accrued thereon to the prepayment date) as set forth in the Verification Report. The GADA Tax-Exempt Loan (as defined in the Loan Repayment Agreement) will be prepaid on _____ 1, 2018. The GADA Taxable Loan (as defined in the Loan Repayment Agreement) will be prepaid on _____ 1, 2019.

Date:, 20...

CITY OF SAN LUIS, ARIZONA

CITY OF SAN LUIS, ARIZONA
PROCEDURES FOR COMPLIANCE WITH OBLIGATIONS
UNDER CONTINUING DISCLOSURE UNDERTAKINGS
ADOPTED OCTOBER 22, 2014

These Procedures for Compliance with Obligations under Continuing Disclosure Undertakings (these "Procedures") set forth specific procedures of the City of San Luis, Arizona (the "Issuer") designed to assist in compliance with applicable requirements set forth in undertakings ("Continuing Disclosure Undertakings") providing for ongoing disclosure in connection with the offering of obligations to investors for obligations (whether or not tax-exempt/tax-advantaged) subject to the continuing disclosure requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

These Procedures document practices and describe various procedures for preparing and disseminating related reports and information and reporting "listed events" for the benefit of the holders of the Issuer's obligations and to assist the Participating Underwriters (within the meaning of the Rule) in complying with the Rule and the Continuing Disclosure Undertaking.

The Issuer recognizes that compliance with pertinent law is an ongoing process; necessary during the entire term of any obligations issued by the Issuer, and is an integral component of the Issuer's debt management. Accordingly, implementation of these Procedures will require ongoing monitoring and consultation with bond counsel and the Issuer's accountants and advisors.

General Policies and Procedures

The following policies relate to procedures and systems for monitoring post-issuance compliance generally.

1. The Finance Director (the "Compliance Officer") shall be responsible for monitoring post-issuance compliance issues.
2. The Compliance Officer will coordinate procedures for record retention and review of such records.
3. All documents and other records relating to obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer.
4. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.
5. The Compliance Officer will review the annual information required to be filed pursuant to each Continuing Disclosure Undertaking.

Continuing Disclosure

Under the provisions of the Rule, Participating Underwriters are required to reasonably determine that issuers (such as the Issuer) have entered into written Continuing Disclosure Undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the Rule. Unless the Issuer is exempt from compliance with the Rule or the continuing disclosure provisions of the Rule as a result of certain permitted exemptions, a Continuing Disclosure Undertaking executed by the Issuer will be required.

In order to monitor compliance by the Issuer with its Continuing Disclosure Undertakings, the Compliance Officer will take the actions listed below, if and as required by such Continuing Disclosure Undertakings. The Compliance Officer may coordinate with staff, and may engage a dissemination agent, counsel, and/or other professionals to assist in discharging the Compliance Officer's duties under these Procedures as the Compliance Officer deems necessary.

A. Compilation of Currently Effective Continuing Disclosure Undertakings

The Compliance Officer shall compile and maintain a set of all currently effective Continuing Disclosure Undertakings of the Issuer. Such agreements are included in the transcript of proceedings for the Issuer's respective obligation issue. Continuing Disclosure Undertakings are "Currently Effective" for purposes of these Procedures (and hence shall be included in the set of Currently Effective Continuing Disclosure Undertakings) for so long as the obligations to which they relate are outstanding. As obligations are completely repaid or redeemed, the Compliance Officer shall remove the related Continuing Disclosure Undertakings from the set of Currently Effective Continuing Disclosure Undertakings.

B. Annual Review and Annual Reporting Requirements

The Compliance Officer shall ensure that all necessary financial statements, financial information and operating data is filed in the manner and by the filing dates set forth in the Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall review the set of Currently Effective Continuing Disclosure Undertakings annually, prior to each annual filing, keeping in mind:

- The financial information and operating data required to be reported under a particular Continuing Disclosure Undertaking may differ from the financial information and operating data required to be reported under another Continuing Disclosure Undertaking; and
- The timing requirements for reporting under a particular Continuing Disclosure Undertaking may differ from the timing requirements for filing under another Continuing Disclosure Undertaking.

C. Calendar; EMMA Notification System

The Compliance Officer shall keep a calendar of all pertinent filing dates required under the Issuer's Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall also subscribe to notification services made available through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

D. Annual Review of Prior Filings

As part of the annual review process, the Compliance Officer shall also review prior filings made within the past five years subsequent to the last such review of prior filings. If the Compliance Officer discovers any late or missing filings, the Compliance Officer (after discussing the circumstances with the Issuer's dissemination agent, counsel or other agents as necessary) shall file the missing information.

E. Monitoring of Listed events

The Compliance Officer shall monitor the occurrence of any of the following events and/or other events set forth in the Currently Effective Continuing Disclosure Undertakings and shall provide notice of the same in the required manner and by the relevant reporting deadline (generally within 10 days of the occurrence):

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations;
- Modification to rights of holders of the Issuer's obligations, if material;
- Calls of the Issuer's obligations, if material, and tender offers;
- Defeasances of the Issuer's obligations;
- Release, substitution or sale of property securing repayment of the Issuer's obligations, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the Issuer;
- The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

F. Review of Official Statements

The Compliance Officer shall review drafts of any offering document for a new offering of obligations, with assistance from its dissemination agent, counsel or other agents of the Issuer as necessary, and shall determine that the offering document accurately and completely describes the Issuer's continuing disclosure compliance history within the five years prior to the date of the respective Official Statement. This compliance review is not meant to limit the Issuer's other reviews of or diligence procedures relating to its offering documents.

G. Record Retention

The Compliance Officer shall retain documentation evidencing the Issuer's annual reviews and its reviews of offering documents in connection with new offerings as set forth above. This Issuer shall retain this documentation, for each Continuing Disclosure Undertaking, for the period that the related obligations are outstanding.

H. Annual Review Checklist

The Compliance Officer may (or may not) choose to use and retain the attached Annual Review Checklist to assist in implementing these Procedures.

CONTINUING DISCLOSURE ANNUAL REVIEW CHECKLIST

- 1. **Fiscal Year Ending:** _____
- 2. **Compliance Officer:** _____
- 3. **Checklist Completion Date:** _____
- 4. **Obligations for which there are Currently Effective Continuing Disclosure Undertakings**

- Attach Agreements:

- \$ _____, dated _____, 20__

- 5. **Have any new Obligations subject to Continuing Disclosure Been Issued this Year?**

_____ No

_____ Yes (Add Agreement to Currently Effective Continuing Disclosure Undertakings)

If Yes, did the Compliance Officer review the Offering Document's Description of the Issuer's Continuing Disclosure Compliance History within the Prior 5 Years?

Circle: Y/ N (If N, review and discuss any issues with counsel.)

6. Have any Obligations subject to Continuing Disclosure Been Completely Paid or Redeemed this Year?

_____ No

_____ Yes (Remove Agreement from Currently Effective Continuing Disclosure Undertakings)

7. (a) Has the Compliance Officer Review the Annual Continuing Disclosure Filing to Ensure that all Necessary Financial Statements, Financial Information and Operating Data is Included?

_____ Yes

_____ No (Compliance Officer must review the Annual Continuing Disclosure Filing)

(b) For purposes of this review, please keep in mind:

	Checked?
Different Continuing Disclosure Undertakings may require different information to be file (so check each one)	Y / N
Different Continuing Disclosure Undertakings may have different filing timing requirements (so check each one).	Y / N

Have any of the Following Events Occurred this Year?

Event	Circle
1. Principal and interest payment delinquencies	Y / N
2. Non-payment related defaults, if material	Y / N
3. Unscheduled draws on debt service reserves reflecting financial difficulties	Y / N
4. Unscheduled draws on credit enhancements reflecting financial difficulties	Y / N
5. Substitution of credit or liquidity providers, or their failure to perform	Y / N
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations	Y / N
7. Modification to rights of holders of the Issuer's obligations, if material	Y / N
8. Calls of the Issuer's obligations, if material, and tender offers	Y / N
9. Defeasances of the Issuer's obligations	Y / N
10. Release, substitution or sale of property securing repayment of the Issuer's obligations, if material	Y / N
11. Rating changes	Y / N
12. Bankruptcy, insolvency, receivership or similar event of the Issuer	Y / N
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material	Y / N
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material	Y / N

If any such Event Occurred, was Proper Notice Provided?

- _____ Yes
- _____ No (Call your dissemination agent or counsel immediately to discuss)
- _____ N/A

Has the Issuer Retained a Dissemination Agent? (i.e., a Paid Third Party that Assists with Filings)

- _____ Yes: Name/Contact: _____
- _____ No

CITY OF SAN LUIS, ARIZONA

\$ _____
PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAX-EXEMPT SERIES 2017A

\$ _____
PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAXABLE SERIES 2017B

OBLIGATION PURCHASE CONTRACT

_____, 2017

Mayor and City Council
City of San Luis, Arizona
1090 E. Union St.
San Luis, Arizona 85349

The undersigned, on behalf of Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), offers to enter into the following obligation purchase agreement (this "Purchase Contract") with the City of San Luis, Arizona (the "Issuer" or "City"), which, upon written acceptance by the Issuer of this offer, shall be binding upon the Issuer and the Underwriter. This offer is made subject to written acceptance hereof by the Issuer on or before 5:00 p.m., Mountain Standard Time, on the date indicated above and shall be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Purchase Contract shall have the same meanings set forth in the Final Official Statement (as such term is defined herein). The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the Issuer. The acceptance is made by the Issuer signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message.

1. Purchase and Sale of the Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter shall purchase from the Issuer, all, but not less than all, of the Issuer's Pledged Excise Tax Revenue Refunding

Obligations, Tax-Exempt Series 2017A (the "Tax-Exempt Obligations") and Pledged Excise Tax Revenue Refunding Obligations, Taxable Series 2017B (the "Taxable Obligations" and, together with the Tax-Exempt Obligations, the "Obligations"), for an aggregate purchase price of \$ _____ (which represents the aggregate par amount of the Obligations, plus [net] original issue premium of \$ _____ and, less Underwriter's compensation of \$ _____). For convenience, the Underwriter shall pay by the Closing, on behalf of the Issuer, \$ _____ from the proceeds of the Obligations to the Insurer (as such term is hereinafter defined) as payment of the bond insurance premium for the Policy (as such term is hereinafter defined). The Underwriter has not previously made any final agreement with the Issuer to purchase the Obligations in an offering within the meaning of the SEC Rule (as defined herein).

The purchase and sale of the Obligations pursuant to this Purchase Contract is an "arm's-length," commercial transaction between the Issuer and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and proceedings leading up to the consummation of such transaction, the Underwriter is and has been acting for and on behalf of itself, solely as a principal for its own account and is not acting as the agent or fiduciary of the Issuer or as a municipal advisor (with the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Issuer with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters) and the Underwriter has no obligation to the Issuer with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB"), (iv) the Underwriter has financial and other interests that differ from those of the Issuer and (v) the Issuer has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

(b) The principal amounts of the Payments (as defined below) represented by the Obligations, the dated date, the payment dates, the prepayment provisions and the rates per annum of the interest amount represented by the Obligations are set forth in Schedule I attached hereto. The terms of the Obligations shall be as otherwise described in, and shall be executed and delivered by _____, as trustee (the "Trustee"), pursuant to a Second Excise Tax Trust Agreement (the "Trust Agreement"), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon among the Underwriter, the Issuer and the Trustee. The Obligations represent undivided proportionate interests in the installment payments (each a "Payment", and, collectively, the "Payments") to be made by the Issuer pursuant to the Second Excise Tax Purchase Agreement, between the Issuer, as buyer, and the Trustee, as seller (the "Purchase Agreement").

(c) The proceeds of the Obligations will be used to (i) prepay all amounts due pursuant to the Loan Repayment Agreement, dated as of February 1, 2009, as amended by a First Amendment to Loan Repayment Agreement, dated as of November 1, 2014, between the Greater Arizona Development Authority of Arizona and the City, and (ii) pay the costs and expenses relating to the execution and delivery of the Obligations.

2. Public Offering.

(a) The Underwriter intends to make an initial bona fide public offering of all of the Obligations at not in excess of the public offering prices (or not less than the yields) set forth on Schedule I hereto and on the inside front cover page of the Final Official Statement of the Issuer relating to the Obligations, dated even date herewith (including all appendices thereto, the "Final Official Statement") and may subsequently change such offering prices (or yields). The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing Obligations into investment trusts) and others at prices lower than the public offering prices (or higher than the yields) set forth on Schedule I hereto and on the inside front cover page of the Final Official Statement. The Underwriter also reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market price of the Obligations at a level above that which might otherwise prevail in the open market and (ii) to discontinue such stabilizing, if commenced, at any time.

(b) *Establishment of Issue Price.* (i) The Underwriter agrees to assist the Issuer in establishing the issue price of the Obligations and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Special Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Obligations.

(i) [Except as otherwise set forth in Schedule II attached hereto,] the Issuer will treat the first price at which 10% of each maturity of the Obligations (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Issuer the price or prices at which it has sold to the public each maturity of Obligations. If at that time the 10% test has not been satisfied as to any maturity of the Obligations, the Underwriter agrees to promptly report to the Issuer the prices at which it sells the unsold Obligations of that maturity to the public. That reporting obligation shall continue, whether or not the date of Closing has occurred, until the 10% test has been satisfied as to the Obligations of that maturity or until all Obligations of that maturity have been sold to the public.

(ii) The Underwriter confirms that it has offered the Obligations to the public on or before the date of this Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule II attached hereto, except as otherwise set forth therein. Schedule II also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Obligations for which the 10% test has not been satisfied and for which the Issuer and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Obligations, the Underwriter will neither offer nor sell unsold Obligations of that

maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(A) the close of the fifth (5th) business day after the sale date; or

(B) the date on which the Underwriter has sold at least 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the Issuer when it has sold 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(iii) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Obligations to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Obligations of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Obligations of that maturity or all Obligations of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The Issuer acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Obligations.

(iv) The Underwriter acknowledges that sales of any Obligations to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(A) "public" means any person other than an underwriter or a related party,

(B) "underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Issuer to the public and (B) any person that

agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Issuer to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Issuer to the public),

(C) a purchaser of any of the Obligations is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(D) “sale date” means the date of execution of this Purchase Contract by all parties.

(c) The undersigned, on behalf of the Underwriter, but not individually, hereby represents and warrants:

(1) the Underwriter is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(2) this Purchase Contract has been duly authorized, executed and delivered by the Underwriter and, assuming the due authorization, execution and delivery by the Issuer, is the legal, valid and binding obligation of the Underwriter enforceable in accordance with its terms, except as the enforceability of this Purchase Contract may be limited by application of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally from time to time in effect and from the application of general principles of equity and from public policy limitations on the exercise of any rights to indemnification and contribution (collectively, “Creditors’ Rights Laws”); and

(3) the Underwriter is licensed by and registered with the Financial Industry Regulatory Authority as a broker-dealer and the MSRB as a municipal securities dealer.

3. The Official Statement.

(a) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized and approved the distribution and use by the Underwriter of the Preliminary Official Statement of the Issuer relating to the Obligations, dated _____, 2017 (including all appendices thereto, the “Preliminary Official

Statement” and, together with the Final Official Statement, collectively, the “Official Statement”), and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Obligations.

(b) The Issuer caused the Preliminary Official Statement to be prepared and an authorized officer of the Issuer, acting for and on behalf of the Issuer, hereby deems the Preliminary Official Statement to be “final” for all purposes of Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934, as amended (the “SEC Rule”).

(c) (i) WHILE THE UNDERWRITER HAS PARTICIPATED AND WILL PARTICIPATE WITH THE ISSUER IN THE PREPARATION AND ASSEMBLAGE OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT, RESPECTIVELY, THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CONTENT OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT and (ii) as of the date thereof, and at the time of the acceptance by the Issuer of this Purchase Contract, the Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(d) The Issuer shall provide to the Underwriter copies of the Official Statement in sufficient quantity to comply with the SEC Rule and the rules of the MSRB, particularly with respect to the Final Official Statement, within seven (7) business days after the date of this Purchase Contract.

(e) The Issuer authorizes the Underwriter to file, to the extent required by applicable Securities and Exchange Commission (the “SEC”) or MSRB rule, and the Underwriter agrees to file or cause to be filed, the Official Statement with (i) the MSRB or its designee (including submission to the MSRB’s Electronic Municipal Market Access system (“EMMA”)) or (ii) other repositories approved from time to time by the SEC (either in addition to or in lieu of the filings referred to above). If an amended Official Statement is prepared in accordance with Section 3(g) during the “primary offering disclosure period” (as defined in MSRB Rule G-32) and if required by applicable SEC or MSRB rule, the Underwriter also shall make the required submission of the amended Official Statement to EMMA.

(f) The Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Issuer and the Underwriter.

(g) During the period ending on the 25th day after the End of the Underwriting Period (as such term is hereinafter defined) or such other period as may be agreed to by the Issuer and the Underwriter, the Issuer (i) shall not supplement or amend the Final Official Statement or cause the Final Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the Issuer, that is reasonably likely to cause the Final Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to

make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter or the Issuer, such event requires the preparation and distribution of a supplement or amendment to the Final Official Statement, the Issuer shall prepare and furnish to the Underwriter, at the Issuer's expense, such number of copies of the supplement or amendment to the Final Official Statement, in form and substance mutually agreed upon by the Issuer and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the date of the Closing, the Issuer also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Final Official Statement.

(h) For purposes of this Purchase Contract, the "End of the Underwriting Period" is used as defined in the SEC Rule and shall occur on the later of (i) the date of the Closing or (ii) when the Underwriter no longer retains an unsold balance of the Obligations; unless otherwise advised in writing by the Underwriter on or prior to the date of the Closing, or otherwise agreed to by the Issuer and the Underwriter, the Issuer may assume that the End of the Underwriting Period is the date of the Closing.

(i) The Underwriter shall provide to the Issuer such information relating to the Obligations which is not within the scope of knowledge of the Issuer (including, but not limited to, the selling compensation of the Underwriter, offering price(s), interest rate(s), delivery date and other terms of the Obligations dependent upon such matters). The Final Official Statement shall be substantially in the form of the Preliminary Official Statement with only such changes therein as shall be necessary to conform to the terms of this Purchase Contract and with such other changes and amendments to the date thereof as have been accepted by the Underwriter. The execution and delivery of the Final Official Statement shall evidence the determination by the Issuer that the Final Official Statement is "final" for all purposes of the SEC Rule.

4. Representations and Warranties and Agreements of the Issuer. The undersigned, on behalf of the Issuer, but not acting individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) The Issuer is a municipal corporation duly incorporated and validly existing pursuant to the laws of the State of Arizona (the "State"), and has full and legal right, power and authority, and at the date of the Closing shall have full legal right, power and authority pursuant to the resolution of the Mayor and City Council of the Issuer adopted on _____, 2017 (the "Resolution"), authorizing the sale and execution and delivery of the Obligations, (i) to enter into, execute and deliver this Purchase Contract; the Resolution; the Purchase Agreement; the Trust Agreement; the Escrow Trust Agreement (the "Escrow Agreement"), with _____, as escrow trustee thereunder (the "Escrow Trustee"); a written undertaking by the Issuer to provide ongoing disclosure for the benefit of certain owners of the Obligations as required under paragraph (b)(5) of the SEC Rule, in form and substance satisfactory to the Underwriter and Counsel to the Underwriter which shall be substantially in the form set forth in the Preliminary Official Statement, with such changes as may be agreed in writing by the Underwriter (the "Undertaking"); the Letter of Representations, previously executed by the Issuer (the "DTC Letter") and delivered to The Depository Trust

Company (“DTC”) and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Purchase Contract, the Purchase Agreement, the Resolution, the Trust Agreement, the Escrow Agreement, the Undertaking and the DTC Letter are hereinafter referred to as the “City Documents”), (ii) to cause the sale and execution and delivery of the Obligations to the Underwriter as provided herein, (iii) to carry out and consummate the transactions contemplated by the City Documents and the Final Official Statement, (iv) to pledge the Excise Tax Revenues and State Shared Revenues as described in the Final Official Statement, and (v) to approve, execute and authorize the use and distribution, as applicable, of the Preliminary Official Statement and the Final Official Statement, and the Issuer has complied, and shall at the Closing be in compliance in all respects, with all applicable provisions of law and the City Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) including adoption of the Resolution by the Mayor and City Council for the execution and delivery and sale of the Obligations, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Obligations and the City Documents, and (iii) the consummation by it of all other transactions contemplated by the Preliminary Official Statement, the City Documents and the Resolution (x) authorizes the execution and delivery of the other of the City Documents and the Obligations as well as the approval, execution and authorization of the use and distribution of the Preliminary Official Statement and the Final Official Statement and the sale of the Obligations to the Underwriter, (y) has been duly and validly adopted by the Mayor and City Council, and (z) is in full force and effect;

(c) This Purchase Contract has been duly executed and delivered by the Issuer, and the other of the City Documents (when such City Documents are executed and delivered by the other parties thereto) will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to applicable Creditors’ Rights Laws; the Obligations, when executed and delivered and paid for in accordance with the Trust Agreement and this Purchase Contract, shall constitute legal, valid and binding obligations entitled to the benefits of the Trust Agreement and enforceable in accordance with their terms, subject to applicable Creditors’ Rights Laws and, upon the execution and delivery of the Obligations as aforesaid, the Purchase Agreement and the Trust Agreement shall provide, for the benefit of the holders from time to time of the Obligations, the legally valid and binding pledge and lien they purport to create as set forth in the Purchase Agreement and the Trust Agreement;

(d) The Issuer is not in material breach of or default in any material respect with respect to any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is, or any of its property or assets are, otherwise subject; no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default by the Issuer pursuant to any of the foregoing or the City Documents and the execution and delivery of the Obligations and the City Documents and the adoption of the Resolution and compliance with the provisions on the part of the Issuer contained therein shall not conflict with or constitute a material breach of or default pursuant to

any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is, or any of its property or assets are, otherwise subject nor shall any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Obligations or pursuant to the terms of any such law, regulation or instrument, except as provided by the Obligations and the City Documents;

(e) All authorizations, approvals, licenses, permits, consents, orders and other matters of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Issuer, of its obligations pursuant to the City Documents and the Obligations have been duly obtained, except for such approvals, consents and orders as may be required pursuant to the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Obligations, and including particularly, but not by way of limitation, the filing of all reports required to be filed by the Issuer pursuant to Section 35-501, Arizona Revised Statutes;

(f) The Obligations and the City Documents conform to the descriptions thereof contained in the Official Statement, and the proceeds of the sale of the Obligations shall be applied as described in the Official Statement;

(g) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or overtly threatened against the Issuer (i) affecting the existence of the Issuer or the titles of its officers to their respective offices; or (ii) affecting or seeking to prohibit, restrain or enjoin the sale or execution and delivery of the Obligations or the levy, collection or pledge, as applicable, of the Excise Tax Revenues or State Shared Revenues; or (iii) in any way contesting or affecting the validity or enforceability of the Obligations or the City Documents or contesting the exclusion from gross income of interest with respect to the Obligations for Federal income tax purposes or the exemption from taxation of interest with respect to the Obligations for State income tax purposes; or (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement; or (v) contesting the formation or powers of the Issuer or any authority for the sale and execution and delivery of the Obligations, the adoption of the Resolution or the execution and delivery of the City Documents; or (vi) which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Obligations or the City Documents;

(h) The Issuer has not granted a lien on, made a pledge of or agreed to apply the Excise Tax Revenues, the State Shared Revenues and other moneys payable pursuant to the Purchase Agreement, except as provided or permitted in the Purchase Agreement or as described in the Official Statement;

(i) Unless the Final Official Statement is amended or supplemented pursuant to paragraph (g) of Section 3 of this Purchase Contract, at all times subsequent to the acceptance by the Issuer hereof, during the period up to and including the date of the Closing, the Final Official Statement, as of its date, did not, as of the date hereof, does not and, as of the Closing, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances pursuant to which they were made, misleading;

(j) If the Final Official Statement is amended or supplemented pursuant to paragraph (g) of Section 3 of this Purchase Contract, at the time of each amendment or supplement thereto and (unless subsequently again amended or supplemented pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of the Closing, the Final Official Statement shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances pursuant to which made, not misleading;

(k) The Issuer shall apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the City Documents and shall not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for Federal or State income tax purposes of the interest with respect to the Obligations;

(l) The Issuer shall furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (i) to (A) qualify the Obligations for offer and sale pursuant to the "blue sky" or other securities laws and regulations of such States and other jurisdictions in the United States as the Underwriter may designate and (B) determine the eligibility of the Obligations for investment pursuant to the laws of such States and other jurisdictions and (ii) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the Issuer shall not be required to qualify as a foreign corporation or to file any general or special consents to service of process pursuant to the laws of any jurisdiction) and shall advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The audited financial statements of the Issuer contained in the Official Statement fairly present the financial position and results of operations and changes in fund balances of the Issuer as of the dates and for the periods therein set forth; the Issuer has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; since June 30 of the last fiscal year presented in the audited financial statements of the Issuer included in the Official Statement, the Issuer has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business and, prior to the Closing, there will be no adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Issuer;

(n) The Issuer is not a party to any litigation or other proceeding pending or overtly threatened that, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer; and except as disclosed in the Official Statement, the Issuer is not a party to any contract or agreement or subject to any restriction, the performance of or compliance with which may have a material adverse affect on the financial condition, operations or prospects of the Issuer or ability of the Issuer to comply with all the requirements set forth in the Official Statement, the Resolution, the City Documents or the Obligations;

(o) Prior to the Closing, and to the extent it may legally agree to do so, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Obligations without the prior approval of the Underwriter;

(p) The representations of the Issuer set forth herein and in the Resolution and the City Documents are, as of the date hereof, true and correct, and between the date hereof and the date of the Closing, the Issuer shall not take any action that will cause the representations and warranties made herein to be untrue as of the date of the Closing;

(q) The officers and officials of the Issuer executing the Official Statement and the City Documents and the Obligations and the officers and officials of the Issuer listed on the certificate of the Issuer to be delivered at the Closing have been or will have been duly appointed and are or will be qualified to serve as such officers and officials of the Issuer, and any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Purchase Contract shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein; and

(r) The Issuer is the only "obligated person" (as defined in the Rule) with respect to the Obligations, and there have not been and, as of the Closing, there will not have been, any instances during the preceding five years in which the Issuer failed to comply, in all material respects, with any previous continuing disclosure agreement made by the Issuer for purposes of the Rule, except as disclosed under "CONTINUING DISCLOSURE" in the Official Statement.

5. Closing.

(a) The Closing shall take place at 8:00 a.m. Mountain Standard Time, on _____, 2017 (the "Closing"), at the offices of the Greenberg Traurig, LLP, or at such other time, date and place as shall have been mutually agreed upon by the Issuer, the Trustee and the Underwriter. On the date of Closing, the Trustee will, subject to the terms and conditions hereof, execute, deliver and register the Obligations in the name of Cede & Co., as nominee of DTC pursuant to the executed DTC Letter and delivered to the Trustee pursuant to DTC's "F.A.S.T." delivery procedures. Also on the date of Closing, the Underwriter will, subject to the terms and conditions hereof, accept delivery of the Obligations and the items identified in Section 6(k) hereof and pay the purchase price of the Obligations as set forth in Section 1 of this Purchase Contract by wire transfer payable in immediately available funds to the Trustee.

(b) It is anticipated that CUSIP identification numbers will be printed on the Obligations, but neither the failure to print such numbers on any Obligations nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of the Obligations in accordance with the terms of this Purchase Contract

6. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties, covenants and agreements of the Issuer contained herein and in reliance upon the representations, warranties, covenants and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the obligations of the Underwriter pursuant to this Purchase Contract to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and pursuant to such documents and instruments at or prior to the Closing and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Issuer contained herein and in the City Documents shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) All representations, warranties and covenants made herein, and in certificates or other instruments delivered pursuant hereto or in connection herewith, shall be deemed to have been relied upon by the Underwriter notwithstanding any investigation heretofore or hereafter made by the Underwriter or on their behalf, and that all representations, warranties and covenants made by the Issuer herein and therein and all of the Underwriter's rights, hereunder and thereunder shall survive the offering of the Obligations;

(c) The Issuer and the Trustee shall have performed and complied with all covenants, agreements and conditions required by the City Documents to be performed or complied with by it prior to or at the Closing;

(d) As of the date of the Closing, (i) the City Documents and the Obligations shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended or modified; (ii) the Final Official Statement shall not have been amended or supplemented, except in any such case as may have been agreed to by the Underwriter; and (iii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Special Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(e) As of the date of the Closing, all official action of the Issuer relating to the Obligations and the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(f) As of or prior to the Closing, the City Documents shall have been duly executed and delivered by the Issuer and the Trustee shall have duly executed and delivered the Obligations;

(g) As of the date of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from those set forth in the Final Official Statement that, in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impractical to market the Obligations on the terms and in the manner contemplated in the Final Official Statement;

(h) As of the date of the Closing, no "event of default" shall have occurred or be existing pursuant to the City Documents nor shall any event have occurred which, with the passage of time or the giving of notice, or both, shall constitute an event of default pursuant to the City Documents;

(i) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(j) All steps to be taken, all instruments and other documents to be executed and all other legal matters in connection with the transactions contemplated by this Purchase Contract shall be reasonably satisfactory in legal form and effect to the Underwriter;

(k) On the date of or prior to the Closing, the Underwriter shall have received two copies of the transcript of all proceedings of the Issuer relating to the execution and delivery of the Obligations, certified, as necessary, by appropriate officials of the Issuer, including, but not limited to, the following opinions, certificates and other documents:

(1) An unqualified approving opinion of Greenberg Traurig, LLP, as Special Counsel as to the Obligations, dated the date of the Closing, addressed to the Issuer and substantially in the form included in the Final Official Statement;

(2) The supplemental opinion of Greenberg Traurig, LLP, as Special Counsel, dated the date of the Closing, addressed to the Underwriter and substantially in the form attached hereto as Exhibit B;

(3) An opinion of the counsel to the Issuer, dated the date of the Closing, addressed to the Underwriter and Bond Counsel to the effect (I) the Issuer is municipal corporation duly incorporated and validly existing pursuant to the laws of the State, with authority to enter into and perform its obligations pursuant to this Purchase Contract, and to execute and deliver the Obligations, (II) the Issuer has a full legal right, power and authority (a) to adopt the Resolution, to enter into, execute and deliver the City Documents and all other documents required thereunder to be executed and delivered by the Issuer, (c) to sell, execute and deliver the Obligations to the Underwriter as provided in this Purchase Contract and (d) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, (III) by all necessary official action of the Mayor and City Council, the Issuer has duly authorized all necessary action to be taken by it for (a) the adoption of the Resolution and the execution and delivery of the Obligations, (b) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Obligations and the City Documents, and (c) the consummation by it of all other transactions contemplated by the Official Statement, (IV) the Resolution was duly and validly adopted by the Mayor and City

Council and is in full force and effect and the Resolution has been duly and validly adopted or undertaken in compliance with all applicable procedural requirements of the Issuer and in compliance with the Constitution and laws of the State, (V) the City Documents have been duly authorized, executed and delivered by the Issuer, (VI) the distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the Issuer, (VII) all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the City Documents and the Obligations, have been obtained, (VIII) except as disclosed in the Official Statement, there is no litigation, 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 the best of our knowledge, after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the execution or delivery of the Obligations or the levying, assessment and collection of the Excise Tax Revenues or State Shared Revenues or in any way contesting or affecting the validity or enforceability of the Obligations or the City Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the execution and delivery of the Obligations, the adoption of the Resolution or the execution and delivery of the City Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the City Documents or have a material, adverse effect on the financial condition of the Issuer, (IX) the adoption of the Resolution and the execution and delivery of the City Documents and compliance by the Issuer with the provisions thereof, under the circumstances contemplated therein, will not conflict with or constitute on the part of the Issuer a material breach of or a default under any agreement or instrument to which the Issuer is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the Issuer is subject, and (X) based solely on such counsel's participation in the transaction, nothing has come to the attention of such counsel that would lead counsel to the Issuer to believe that the information and statements in the Preliminary Official Statement, as of its date and as of the date of sale of the Obligations, and the Final Official Statement, as of its date and as of the date of such letter, contained or contain any untrue statement of a material fact or omitted or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, no view need be expressed as to the financial statements of the Issuer, any other financial, forecast, technical or statistical data, and any information in the Official Statement respecting DTC;

(4) An opinion of Squire Patton Boggs (US) LLP, as counsel to the Underwriter, dated the date of the Closing, addressed to the Underwriter and in form and substance reasonably satisfactory thereto;

(5) A certificate, dated the date of Closing and signed by the Mayor, the City Clerk and the City Manager of the Issuer, to the effect that (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of

the date of the Closing with the same effects if made on the date of the Closing; (ii) there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or threatened in any way affecting the existence of the Issuer or the titles of its officials to their respective positions, or seeking to restrain or to enjoin the sale or delivery of the Obligations, or the levy and collection of the Excise Tax Revenues and State Shared Revenues imposed and levied or to be imposed and levied to pay all the Payments, or the imposition thereof, or in any way contesting or affecting the validity or enforceability of the Obligations or the City Documents, or contesting in any way the completeness or accuracy of the Final Official Statement or the exclusion from gross income of interest with respect to the Obligations, or contesting the powers of the Issuer or its authority with respect to the Obligations or the City Documents; (iii) the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing; and (iv) the Issuer has complied with all requirements and covenants under prior obligation documents, including, without limitation, the First Purchase Agreement and the First Trust Agreement (each as defined in the Trust Agreement), for the issuance of these Obligations;

(6) A certificate, dated the date of Closing and signed by the Mayor, the City Clerk and the City Manager of the Issuer, to the effect that (i) the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances pursuant to which they were made, not misleading; (ii) the financial statements of the Issuer contained in the Official Statement fairly present the financial position and results of operations and changes in fund balances of the Issuer as of the dates and for the periods therein set forth and the Issuer has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; (iii) since June 30 of the last fiscal year presented in the audited financial statements of the Issuer included in the Official Statement, the Issuer has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the results of operations or financial condition of the Issuer that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business, nor are there any deficits in any fund of the Issuer except as disclosed in the Official Statement; (iv) no event affecting the Issuer has occurred since the date of the Preliminary Official Statement to the sale date of the Obligations and the date of the Final Official Statement to the date of Closing that should be disclosed in the Preliminary Official Statement or the Final Official Statement, as applicable, for the purpose for which it is to be used or which it is necessary to disclose therein with respect to the Issuer in order to make the information therein in the light of the circumstances pursuant to which they were made or set forth not misleading in any material respect; and (v) the City has complied with all of the terms of this Purchase Contract and the City Documents to be complied with by it prior to or concurrently with the Closing;

(7) A specimen of the Obligations;

(8) A certified copy of the Resolution;

(9) A counterpart original of the Final Official Statement manually executed on behalf of the Issuer by the Mayor of the Issuer;

(10) A non-arbitrage certificate with respect to the Obligations of the Issuer in form and substance satisfactory to Special Counsel;

(11) A filing copy of the Information Return Forms 8038-G for the Obligations and of the Report Relating to Bond and Security Issuance pursuant to § 35-501, Arizona Revised Statutes, for the Obligations;

(12) An executed copy of each of the other of the City Documents;

(13) A certificate or certificates, dated the date of the Closing, signed by an authorized representative of the Trustee and in form and substance satisfactory to Special Counsel and the Underwriter, in which such official states that (i) the representations and warranties of the Trustee contained in the Purchase Agreement, the Trust Agreement and the Escrow Agreement (collectively for purposes of this paragraph, the "Trustee Documents") are true and correct in all material respects as of the date of the Closing, the Trustee has duly executed and delivered the Trustee Documents and the Trustee has complied with all agreements and satisfied all conditions on its part to be performed or satisfied pursuant to the Trustee Documents at or prior to the Closing and (ii) no litigation is pending or threatened against the Trustee before any judicial, quasi-judicial or administrative forum (A) to restrain or enjoin the performance by the Trustee of its obligations and duties pursuant to the Trustee Documents, (B) in any way contesting or affecting any authority for, or the validity of, the Obligations or the applications of the proceeds of the Obligations or (C) in any way contesting the existence or corporate trust powers of the Trustee, together with evidence of the authority of the Trustee to execute and deliver the Trustee Documents and execute and deliver the Obligations and an incumbency certificate;

(14) Evidence that _____ (the "Insurer") has issued its municipal bond insurance policy (the "Policy") with respect to the Obligations as well as appropriate opinions and certifications from the Insurer relating to the Policy;

(15) Letters from S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, confirming that the Obligations have been rated (i) an underlying rating of "___," and (ii) a rating of "___", based on issuance of the Policy, which ratings shall be in effect on the date of Closing;

(16) A copy of a special report prepared by _____, a firm of independent certified public accountants, addressed to the City, Bond Counsel and the Underwriter, verifying the arithmetical computations of the adequacy of the maturing principal and interest on the obligations and uninvested cash on hand under the Escrow Agreement to pay, when due, the principal of and interest on the Bonds Being Refunded and the yields on the Obligations and amounts held under the Escrow Agreement;

(17) A certificate from the Escrow Trustee with respect to the Bonds Being Refunded under an Escrow Agreement, between the Issuer and the Escrow Trustee, to the effect that moneys or defeasance obligations have been received and that such moneys or defeasance obligations have been deposited and are being held in the Trust Fund established by the Escrow Agreement;

(18) Such opinions of counsel as are required in connection with the prepayment of the Bonds Being Refunded, pursuant to terms of the applicable controlling document for the Bonds Being Refunded; and

(19) Such additional opinions, letters, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably deem necessary to satisfy conditions to the execution and delivery of the Obligations and to evidence the truth and accuracy as of the date of the Closing, or prior to such time, of the representations, warranties and covenants of the Issuer and the due performance or satisfaction by the Issuer of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

(All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.)

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Section 8(c) hereof shall continue in full force and effect.

7. Termination. The Underwriter may terminate the obligations of the Underwriter pursuant to this Purchase Contract to purchase, to accept delivery of and to pay for the Obligations by notifying the Issuer of the election of the Underwriter to do so if at any time after the execution of this Purchase Contract and at or prior to the Closing, in the Underwriter's sole and reasonable judgment, any of the following events shall occur:

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

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

(2) there shall have occurred (a) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war, (b) any other calamity or

crisis in the financial markets of the United States or elsewhere, (c) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations, or (d) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or other political subdivision located in the United States having a population of over 500,000; or

(3) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or

(4) legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Obligations, or any comparable securities of the Issuer, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, or otherwise, or would be in violation of any provision of the federal securities laws; or

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

(6) any rating on obligations of the Issuer or the Insurer is reduced or withdrawn or placed on credit watch with negative outlook by any major credit rating agency; or

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

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

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

(e) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the

extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(f) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Obligations, including the underlying obligations as contemplated by this Purchase Contract or by the Final Official Statement, or any document relating to the issuance, offering or sale of the Obligations, is or would be in violation of any provision of the federal securities laws at the date of the Closing, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Trust Indenture Act of 1939, as amended; or

(g) United States Treasury Certificate of Indebtedness, Notes or Bonds-State and Local Government Series or acceptable open market securities shall be unavailable for purchase and/or delivery in the amounts, maturities and prices or yields required pursuant to the Escrow Agreement.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the obligations of the Issuer hereunder, including, but not limited to (i) the cost of preparation and printing of the Obligations, the Preliminary Official Statement, the Official Statement and the City Documents in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby, (ii) the fees and disbursements of Special Counsel, counsel to the Issuer, counsel to the Underwriter, the Trustee and the Escrow Trustee; (iii) the fees and disbursements of any other accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings, the Policy and of DTC and (v) reasonable miscellaneous, normally occurring, "out-of-pocket" expenses including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs incurred by the Underwriter in connection with the sale and execution and delivery of the Obligations. The Issuer acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Obligations.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Obligations, and (ii) all other expenses incurred by it in connection with the public offering of the Obligations.

(c) If this Purchase Contract shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Purchase Contract, the Issuer shall reimburse the Underwriter for all "out-of-pocket" expenses reasonably incurred by the Underwriter in connection with this Purchase Contract and the offering contemplated hereunder.

9. Notices. Any notice or other communication to be given to the Issuer pursuant to this Purchase Contract may be given by delivering the same in writing at the address set forth on the first page of this Purchase Contract to the attention of the City Manager, and any notice or other communication to be given to the Underwriter pursuant to this Purchase Contract may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, 2325 East Camelback Road, Suite 750, Phoenix, AZ 85016, Attention: Mark Reader, Director.

10. Parties in Interest. This Purchase Contract as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer, the Trustee and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Purchase Contract may not be assigned by the Issuer. All of the representations, warranties and agreements of the Issuer contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Obligations pursuant to this Purchase Contract and (iii) any termination of this Purchase Contract.

11. Effectiveness. This Purchase Contract shall become effective upon the acceptance hereof by the Issuer, and shall be valid and enforceable at the time of such acceptance.

12. Choice of Law, Venue. This Purchase Contract shall be governed by and construed in accordance with the law of the State. The venue for any proceedings on any and all controversies arising pursuant to this Purchase Contract will be Maricopa County, Arizona.

13. Severability. If any provision of this Purchase Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Purchase Contract invalid, inoperative or unenforceable to any extent whatever.

14. Business Day. For purposes of this Purchase Contract, "business day" means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Purchase Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Purchase Contract and will not be used in the interpretation of any provisions of this Purchase Contract.

16. Counterparts. This Purchase Contract may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document

17. Notice Concerning Cancellation of Contracts. As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the State, its political

subdivisions (including the Issuer) or any department or agency of either may, within three (3) years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This Section is not intended to expand or enlarge the rights of the Issuer hereunder except as required by such Section. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section which would adversely affect the enforceability of this Purchase Contract and covenants that it shall take no action which would result in a violation of such Section.

(Signature Page Follows)

If you agree with the foregoing, please sign the enclosed counterpart of this Purchase Contract and return it to the Underwriter. This Purchase Contract shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Sincerely,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By _____
Authorized Representative

Accepted and agreed to at _____
__m. this __ day of _____, 2017

THE CITY OF SAN LUIS, ARIZONA

By _____
Name: Tadeo A. De La Hoya
Title: City Manager

ATTEST:

Sonia Cornelio, City Clerk

(Signature Page to Obligation Purchase Contract)

SCHEDULE I

\$ _____
CITY OF SAN LUIS, ARIZONA
PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAX-EXEMPT SERIES 2017A

Dated Date: Date of Delivery

Interest Payment Dates: Each January 1 and July 1, commencing January 1, 2018

Payment Schedule

<u>Payment Date</u> <u>(July 1)</u>	<u>Payment</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
	\$	%	%

* Yield calculated to July 1, 20__, the first optional redemption date.

Optional Prepayment: The Obligations payable before or on July 1, 20__, will not be subject to prepayment prior to their stated payment dates. The Obligations payable on July 1, 20__, will be subject to prepayment by lot within such payment date by such methods as may be selected by the Trustee from prepayments made at the option of the City pursuant to the Purchase Agreement, in whole or in part on any date, on or after July 1, 20__, at a prepayment price equal to the principal amount of the Obligations or portions thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

\$ _____
CITY OF SAN LUIS, ARIZONA
PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAXABALE SERIES 2017B

Dated Date: Date of Delivery

Interest Payment Dates: Each January 1 and July 1, commencing January 1, 2018

Payment Schedule

<u>Payment Date</u> <u>(July 1)</u>	<u>Payment</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
	\$	%	%

* Yield calculated to July 1, 20__, the first optional redemption date.

Optional Prepayment: The Obligations payable before or on July 1, 20__, will not be subject to prepayment prior to their stated payment dates. The Obligations payable on July 1, 20__, will be subject to prepayment by lot within such payment date by such methods as may be selected by the Trustee from prepayments made at the option of the City pursuant to the Purchase Agreement, in whole or in part on any date, on or after July 1, 20__, at a prepayment price equal to the principal amount of the Obligations or portions thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

SCHEDULE II

EXHIBIT A

FORM OF UNDERWRITER'S CERTIFICATE

CITY OF SAN LUIS, ARIZONA

\$ _____
**PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAX-EXEMPT SERIES 2017A**

\$ _____
**PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAXABLE SERIES 2017B**

The undersigned, Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Obligations").

1. Obligation Purchase Contract. On _____ (the "Sale Date"), the Underwriter and the City of San Luis, Arizona (the "Issuer") executed an Obligation Purchase Contract (the "Purchase Agreement") in connection with the sale of the Obligations. The Underwriter has not modified the Purchase Agreement since its execution on the Sale Date.

2. Price.

(a) As of the date of this Certificate, for each [Maturity] [of the _____ Maturities] of the Obligations, the first price or prices at which at least 10% of [each] such Maturity of the Obligations was sold to the Public (the "10% Test") are the respective prices listed in Schedule A attached hereto.

(b) **[To be used if not using Hold-the-Offering-Price Rule and 10% was not sold for all Maturities]** **[** With respect to each of the _____ Maturities of the Obligations:**

(i) As of the date of this Certificate, the Underwriter has not sold at least 10% of the Obligations of these Maturities at any price or prices.

(ii) As of the date of this Certificate, the Underwriter reasonably expects that the first sale to the Public of Obligations of these Maturities will be at or below the respective price or prices listed on the attached Schedule A as the "Reasonably Expected Sale Prices for Undersold Maturities."

(iii) The Underwriter will provide actual sales information (substantially similar to the information contained on Schedule B) as to the price or prices at which the first 10% of each such Maturity (i.e., the Undersold Maturity or Maturities) is sold to the Public.

(iv) On the date the 10% Test is satisfied with respect to all Maturities of the Obligations, the Underwriter will execute a supplemental certificate substantially in the form attached hereto as Schedule C with respect to any remaining Maturities for which the 10% Test has not been satisfied as of the Closing Date. **]

(b) **[To be used if using Hold-the-Offering-Price Rule] [Alternative 1 - All Maturities Use Hold-the-Offering-Price Rule:** The Underwriter offered the Obligations to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.] **[Alternative 2 - Select Maturities Use Hold-the-Offering-Price Rule:** The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Obligations is attached to this certificate as Schedule B.]

[Alternative 1 - All Maturities use Hold-the-Offering-Price Rule: As set forth in the Bond Purchase Agreement, the Underwriter has agreed in writing that, (i) for each Maturity of the Obligations, it would neither offer nor sell any of the Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Obligations at a price that is higher than the respective Initial Offering Price for that Maturity of the Obligations during the Holding Period. **[Alternative 2 - Select Maturities Use Hold-the-Offering-Price Rule:** As set forth in the Bond Purchase Agreement, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Obligations of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Obligations during the Holding Period.]

3. **Defined Terms.**

- (a) *[Hold-the-Offering-Price Maturities* means those Maturities of the Obligations listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."]
- (b) *[Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]
- (c) *Issuer* means the City of San Luis, Arizona.

- (d) *Maturity* means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is [DATE].
- (g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate of the Issuer dated [closing date] and with respect to compliance with the federal income tax rules affecting the Obligations, and by Bond Counsel, in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as underwriter

By: _____

Mark Reader, Managing Director

By: _____

Dated: [ISSUE DATE]

[underwriter]

SCHEDULE A

Actual Sales Information as of Closing Date

<u>Maturity/CUSIP</u>	<u>Coupon</u>	<u>Date Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
-----------------------	---------------	------------------	-------------------	-------------------

**Reasonably Expected Sales Prices for Undersold Maturities as of Closing Date

<u>Maturity/CUSIP</u>	<u>Coupon</u>	<u>Par Amount</u>	<u>Offering Prices</u>
-----------------------	---------------	-------------------	------------------------

**]

SCHEDULE B

[Actual Sales for Undersold Maturities as of the Closing Date

<u>Maturity/CUSIP</u>	<u>Date Sold</u>	<u>Time Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
-----------------------	------------------	------------------	-------------------	-------------------

**]

[PRICING WIRE OR EQUIVALENT COMMUNICATION]

(Attached)

[SCHEDULE C

SUPPLEMENTAL ISSUE PRICE CERTIFICATE OF UNDERWRITER

CITY OF SAN LUIS, ARIZONA

\$ _____
PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAX-EXEMPT SERIES 2017A

\$ _____
PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS
TAXABLE SERIES 2017B

The undersigned, Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Obligations").

1. *Issue Price.*

(a) The Underwriter sold at least 10% of the _____ Maturities of the Obligations to the Public at the price or prices shown on the Issue Price Certificate dated as of the Closing Date (the "10% Test"). With respect to each of the _____ Maturities of the Obligations, the Underwriter had not satisfied the 10% Test as of the Closing Date (the "Undersold Maturities").

(b) As of the date of this Supplemental Certificate, the Underwriter has satisfied the 10% Test with respect to the Undersold Maturities. The first price or prices at which at least 10% of each such Undersold Maturity was sold to the Public are the respective prices listed on Exhibit A attached hereto.

2. *Defined Terms.*

(a) "Issuer" means _____.

(b) "Maturity" means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate of the Issuer dated [closing date] and with respect to compliance with the federal income tax rules affecting the Obligations, and by Bond Counsel, in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as underwriter

By: _____

Mark Reader, Managing Director

By: _____

[underwriter]

Dated: _____

EXHIBIT A
TO
SUPPLEMENTAL ISSUE PRICE CERTIFICATE**]

EXHIBIT B

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Date of Closing]

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

Re: City of San Luis, Arizona \$_____ Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A and \$_____ Pledged Excise Tax Revenue Refunding Obligations, Taxable Series 2017B

Pursuant to an Obligation Purchase Contract, dated _____, 2017 (the "Purchase Contract"), between the City of San Luis, Arizona and, Stifel, Nicolaus & Company, Incorporated, we have delivered to you our approving opinion of even date herewith (the "Approving Opinion") relating to the captioned Obligations. All terms used herein shall have the same meaning assigned in the Purchase Contract.

We hereby supplement the aforesaid Approving Opinion and further advise you as follows:

1. The City has all requisite power and authority pursuant to the Constitution and laws of the State (a) to execute and deliver, as applicable, the City Documents, (b) to approve, execute and authorize the use and distribution of the Preliminary Official Statement and the Final Official Statement and (c) to carry out and consummate the transactions contemplated by the Final Official Statement, the City Documents and the Obligations (including performing the applicable obligations pursuant thereto).

2. The City has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the Final Official Statement, the City Documents and the Obligations.

3. The City Documents have been duly authorized, executed and delivered, as applicable, by the City, are in full force and effect and, assuming due and valid authorization, execution and delivery by, and enforceability against, if any, the other party thereto, constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms. The foregoing is subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the enforcement of creditors' rights and the principles of equity in the event equitable remedies are sought.

4. Adoption of the Resolution, authorization, execution and delivery, as applicable, of, and the due performance by the City of the City Documents and the approval, execution and authorization of the use and distribution of, the Final Official Statement (including, as applicable, the Preliminary Official Statement) by the City under the circumstances contemplated thereby and each of such instruments, do not and will not conflict with, or constitute on the part of the

City a material breach of or default under, any federal or State constitutional or statutory provision.

5. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Obligations and other than approvals that may be required under "blue sky" laws of any jurisdiction) is required in connection with the adoption by the Mayor and Council of the City of the Resolution or the authorization, execution, delivery and performance, as applicable, by the City of the City Documents and the consummation of the transactions contemplated by the Final Official Statement.

6. The information contained (but not incorporated by reference) in the Preliminary Official Statement and the Final Official Statement in the tax caption on the cover thereof, under the headings "THE OBLIGATIONS," "PLAN OF REFUNDING," "SECURITY AND SOURCES OF PAYMENT," "TAX MATTERS," and "CONTINUING DISCLOSURE" (except the existence or status of compliance with prior undertakings by the City) and, only as it relates to us, therein and in Appendix D "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS," Appendix E "FORM OF APPROVING LEGAL OPINION" and Appendix F "FORM OF CONTINUING DISCLOSURE UNDERTAKING" thereto, insofar as such information purports to summarize certain provisions of the laws of the State and the United States of America, the Obligations, the Trust Agreement, the Purchase Agreement and the Undertaking fairly present the information purported to be shown; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in its entirety by, the complete laws and documents that are summarized.

7. It is not necessary in connection with the sale and execution of the Obligations to the public to register the Obligations pursuant to the Securities Act of 1933, as amended, or to qualify the Trust Agreement pursuant to the Trust Indenture Act of 1939, as amended.

You may rely upon the Approving Opinion as though it were specifically addressed to you.

This letter is provided pursuant to Section 6(k)(2) of the Purchase Contract and is being given solely for the information of and assistance to the addressee of this letter in its capacity as the underwriter of the Obligations. In giving this opinion to such underwriter, it is expressly understood that no attorney-client relationship is being created thereby. Without our express prior written permission, this opinion may not be relied upon by any person other than such underwriter and is not to be used, circulated, quoted, or otherwise referred to in connection with the offering of the Obligations, except that reference may be made to this opinion in any list of closing documents pertaining to the execution and delivery of the Obligations.

Respectfully submitted,

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2017

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: See “RATING” herein.

INSURANCE: See “BOND INSURANCE AND RELATED RISK FACTORS” herein.

In the opinion of Greenberg Traurig, LLP, Special Counsel, assuming continuing compliance with certain tax covenants and the accuracy of certain representations of the City, under existing statutes, regulations, rulings and court decisions, the portion of each installment payment made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by Owners of the Tax-Exempt Obligations (the “Tax-Exempt Interest Portion”) will be excludable from gross income for federal income tax purposes. The Tax-Exempt Interest Portion will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such Tax-Exempt Interest Portion will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The Tax-Exempt Interest Portion will be exempt from income taxation under the laws of the State of Arizona so long as the Tax-Exempt Interest Portion is excludable from gross income for federal income tax purposes. See “TAX MATTERS – TAX-EXEMPT OBLIGATIONS - General” herein for a description of certain other federal tax consequences of ownership of the Tax-Exempt Obligations. See also “TAX MATTERS - TAX-EXEMPT OBLIGATIONS – Original Issue Discount and Premium” herein. Special Counsel expresses no opinion with respect to the excludability of the portion of each installment payment made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Taxable Obligations from gross income for federal or State of Arizona income tax purposes. See “CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS IN RESPECT OF THE TAXABLE OBLIGATIONS” and “ERISA CONSIDERATIONS” herein.

The Mayor and Council of the City will designate the Obligations as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code). The Mayor and Council of the City will represent and warrant that they reasonably anticipate that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by or on behalf of the City in calendar year 2017 will not exceed \$10,000,000. See “QUALIFIED TAX-EXEMPT OBLIGATIONS” herein.

**DRAFT 2
8-23-17**

CITY OF SAN LUIS, ARIZONA

\$6,985,000*
**PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS,
TAX-EXEMPT SERIES 2017A**

\$6,920,000*
**PLEDGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS,
TAXABLE SERIES 2017B**

Dated: Date of Initial Delivery

Due: January 1 and July 1, as shown on the inside front cover page

The City of San Luis, Arizona (the “City”) Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A (the “Tax-Exempt Obligations”) and Pledged Excise Tax Revenue Refunding Obligations, Taxable Series 2017B (the “Taxable Obligations”) and, together with the Tax-Exempt Obligations, the “Obligations”) will be executed and delivered to (i) prepay all amounts due pursuant to the Loan Repayment Agreement, dated as of February 1, 2009, as amended by a First Amendment to Loan Repayment Agreement, dated as of November 1, 2014, between the Greater Arizona Development Authority of Arizona and the City and (ii) pay the costs and expenses relating to the execution and delivery of the Obligations. See “PLAN OF REFUNDING” herein.

Interest represented by the Obligations will be payable semiannually on each July 1 and January 1, commencing July 1, 2018*, until maturity or prior prepayment. The Obligations will be dated the date of initial delivery, will be issuable as fully registered obligations without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial ownership interests in the Obligations will be available to purchasers in amounts of \$5,000 of principal due on a specific payment date and any integral multiple thereof only under the book-entry-only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants (as defined herein). Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest with respect to such Obligations. See APPENDIX G - “BOOK-ENTRY ONLY SYSTEM” herein.

SEE PAYMENT SCHEDULES ON INSIDE FRONT COVER PAGE

The Obligations will be subject to prepayment prior to their stated payment dates as described under the heading “THE OBLIGATIONS – Prepayment Provisions” herein*.

The Obligations will be undivided, proportionate interests in the installment payments to be made by the City pursuant to a Second Excise Tax Purchase Agreement, to be dated as of _____ 1, 2017* (the “Purchase Agreement”), between the City and _____, as trustee (the “Trustee”) in its separate capacity as “Seller”. The installment payments will be payable from and secured by a first lien on and pledge of revenues from the Excise Taxes and the State Shared Revenues (each as defined herein) on a parity with the First Purchase Agreement and any Parity Lien Obligations (as defined herein).. No obligations may be incurred that would have a prior pledge of revenues from the Excise Taxes or the State Shared Revenues to the Obligations. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” herein.

THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS OF THE CITY AND WILL BE PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF, AND THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE OBLIGATIONS.

The Obligations are offered when, as and if issued by the City and received by the underwriter identified below (the “Underwriter”), subject to the legal opinion of Greenberg Traurig, LLP, Special Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about September __, 2017*.

This cover page contains certain information with respect to the Obligations for convenience of reference only. It is not a summary of all material information with respect to the Obligations. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Obligations.

* Subject to change.



CITY OF SAN LUIS, ARIZONA

PAYMENT SCHEDULES

\$6,985,000*

Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No. 79854W
2026	\$ 345,000	%	%	
2027	910,000			
2028	960,000			
2029	1,005,000			
2030	1,045,000			
2031	1,085,000			
2032	1,135,000			
2033	500,000			

\$6,920,000*

Pledged Excise Tax Revenue Refunding Obligations, Taxable Series 2017B

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No. 79854W
2018	\$ 845,000	%	%	
2019	740,000			
2020	755,000			
2021	765,000			
2022	785,000			
2023	810,000			
2024	830,000			
2025	855,000			
2026	535,000			

* Subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, Special Counsel, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

CITY OF SAN LUIS, ARIZONA

CITY COUNCIL

Gerardo Sanchez, *Mayor*
Maria Cecilia Ramos, *Vice Mayor*
Mario Buchanan, Jr., *Councilmember*
Africa Luna-Carrasco, *Councilmember*
Matias Rosales, *Councilmember*
Gloria Torres, *Councilmember*
Ruben Walshe, *Councilmember*

CITY ADMINISTRATION

Tadeo De La Hoya, *City Manager*
Katie St. Louis, CPA, *Finance Director**
Kay Marion Macuil, *City Attorney*

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

ESCROW TRUSTEE AND TRUSTEE

Phoenix, Arizona

* *Retiring 2017.*

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of San Luis, Arizona (the "City"), or Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from the City, the Arizona Department of Revenue and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the City or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the City or the Underwriter. A variety of other information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are "forward looking statements" that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the City has been identified by source and has not been independently confirmed or verified by the City or the Underwriter and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Obligations will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Obligations for sale.

The City, the Underwriter, counsel the Underwriter and Special Counsel are not actuaries and have not performed any actuarial or other analysis of the City's unfunded liabilities under the Arizona State Retirement System or the Public Safety Personnel Retirement System.

The City will undertake to provide continuing disclosure as described in this Official Statement under the heading "CONTINUING DISCLOSURE" and in APPENDIX F - "FORM OF CONTINUING DISCLOSURE UNDERTAKING," all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE OBLIGATIONS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The information in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM” attached hereto has been furnished by The Depository Trust Company and no representation is made by the City or the Underwriter, or any of their counsel or agents, as to the accuracy or completeness of such information.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE OBLIGATIONS	2
General Terms	2
Prepayment Provisions	2
PLAN OF REFUNDING	3
Schedule of Bonds Being Refunded	3
VERIFICATION OF MATHEMATICAL COMPUTATIONS	4
SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS	4
General	4
Pledge	4
Coverage Requirements	5
Parity Lien Obligations	5
SOURCES AND USES OF FUNDS	6
DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE	7
EXCISE TAX REVENUES AND STATE SHARED REVENUES	8
Excise Tax Revenues	8
State-Shared Revenues	9
Historical Excise Tax Revenues and State Shared Revenues	12
LITIGATION	12
BOND INSURANCE AND RELATED RISK FACTORS	13
LEGAL MATTERS	13
TAX MATTERS – TAX-EXEMPT OBLIGATIONS	14
General	14
CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS IN RESPECT OF THE TAXABLE OBLIGATIONS	16
General	16
ERISA CONSIDERATIONS	20
RATING	22
QUALIFIED TAX-EXEMPT OBLIGATIONS	22
UNDERWRITING	22
POLITICAL CONTRIBUTIONS	22
RELATIONSHIP AMONG PARTIES	22
CONTINUING DISCLOSURE	23
FINANCIAL STATEMENTS	23
CONCLUDING STATEMENT	24
APPENDIX A: CITY OF SAN LUIS, ARIZONA – DEMOGRAPHIC AND ECONOMIC INFORMATION	
APPENDIX B: CITY OF SAN LUIS, ARIZONA – FINANCIAL DATA	
APPENDIX C: CITY OF SAN LUIS, ARIZONA – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016	
APPENDIX D: SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS	
APPENDIX E: FORM OF APPROVING LEGAL OPINION	
APPENDIX F: FORM OF CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX G: BOOK-ENTRY-ONLY SYSTEM	

OFFICIAL STATEMENT

CITY OF SAN LUIS, ARIZONA

\$6,985,000*
PLEGGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS,
TAX-EXEMPT SERIES 2017A

\$6,920,000*
PLEGGED EXCISE TAX REVENUE
REFUNDING OBLIGATIONS,
TAXABLE SERIES 2017B

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto (this "Official Statement"), provides certain information concerning the City of San Luis, Arizona (the "City") Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A (the "Tax-Exempt Obligations") the Pledged Excise Tax Revenue Refunding Obligations, Taxable Series 2017B (the "Taxable Obligations" and, together with the Tax-Exempt Obligations, the "Obligations"), to be executed and delivered in the principal amounts indicated above. The Obligations will be undivided, participating, proportionate interests in installment payments (the "Payments") to be made by the City pursuant to a Second Excise Tax Purchase Agreement, to be dated as of _____ 1, 2017* (the "Purchase Agreement"), between the City, as purchaser, and _____, as trustee (the "Trustee"), in its separate capacity as seller.

The Obligations are being executed and delivered to (i) prepay all amounts due pursuant to the Loan Repayment Agreement, dated as of February 1, 2009, as amended by a First Amendment to Loan Repayment Agreement, dated as of November 1, 2014 (as so amended, the "Prior Loan Agreement"), between the Greater Arizona Development Authority of Arizona and the City and (ii) pay the costs and expenses relating to the execution and delivery of the Obligations. See "PLAN OF REFUNDING" herein.

The Obligations will be executed and delivered pursuant to a Second Excise Tax Trust Agreement, to be dated as of _____ 1, 2017* (the "Trust Agreement"), between the City and the Trustee. Certain of the Trustee's interests under the Purchase Agreement, including, without limitation, the right to receive and collect the Payments and the right to force the City to make the Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX D - "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS" in addition to the information herein below for descriptions of the terms of the Purchase Agreement and the Trust Agreement and the definition of terms not elsewhere defined herein. See APPENDIX A - "CITY OF SAN LUIS, ARIZONA - DEMOGRAPHIC AND ECONOMIC INFORMATION," APPENDIX B - "CITY OF SAN LUIS, ARIZONA - FINANCIAL DATA and APPENDIX C - "CITY OF SAN LUIS, ARIZONA - AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016" for information about the City.

The Payments will be payable from and secured by a first lien on and pledge of revenues from the Excise Taxes and the State Shared Revenues. "Excise Taxes" means the unrestricted transaction privilege (sales) taxes, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures the City now imposes; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council. "State Shared Revenues" means any amounts of excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State of Arizona (the "State" or "Arizona") or any agency thereof and returned, allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes such as motor vehicle fuel taxes. Pursuant to the Purchase Agreement under certain conditions, Parity Lien Obligations may be incurred on a parity with the payments due under the First Purchase Agreement and the Purchase Agreement. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS - Parity Lien Obligations" herein.

* *Subject to change.*

Brief descriptions of the security for the Obligations and of matters related to the City are included in this Official Statement together with a summary of select provisions of the Purchase Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Purchase Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of all of which are available for inspection at the designated corporate trust office of the Trustee.

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or Beneficial Owners (as defined in APPENDIX G) of the Obligations.

References to provisions of federal or State law, whether codified or uncoded, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

THE OBLIGATIONS

General Terms

The Obligations will be dated the date of their initial execution and delivery and will bear interest from such date, at the rates, and will be payable on the dates and in the amounts, all as set forth on the inside front cover page hereof. Interest represented by the Obligations will be payable on each January 1 and July 1 (each an "Interest Payment Date"), commencing July 1, 2018*, until maturity or prior prepayment.

The Obligations will be registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), under the book-entry only system described in APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM." Beneficial ownership interests in the Obligations may be purchased through direct and indirect participants of DTC in amounts of \$5,000 of principal due on a specific payment date or integral multiples thereof. See APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM."

Prepayment Provisions*

Optional Prepayment. The Obligations payable before or on July 1, 20__, will not be subject to prepayment prior to their stated payment dates. The Obligations payable on July 1, 20__, will be subject to prepayment by lot within such payment date by such methods as may be selected by the Trustee from prepayments made at the option of the City pursuant to the Purchase Agreement, in whole or in part on any date, on or after July 1, 20__, at a prepayment price equal to the principal amount of the Obligations or portions thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

Manner of Selection for Prepayment. The Obligations will be prepaid only in payment amounts of \$5,000 each or integral multiples thereof. The City will, at least 45 days prior to the prepayment date, notify the Trustee of such prepayment date and of the stated payment dates of the Obligations and the payment amount of the Obligations of any such stated payment date to be prepaid on such date. For the purposes of any prepayment of less than all of the Obligations of a single stated payment date, the particular Obligations or portions of the Obligations to be prepaid shall be selected through the procedures of DTC.

Notice of Prepayment. Prepayment notices will be sent only to DTC by electronic media, not more than 60 nor less than 30 days prior to the date set for prepayment. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM." Such notice will state that if, on the specified prepayment date, moneys for prepayment of all the Obligations to be prepaid together with interest to the date of prepayment, is held by the Trustee, then, from and after said date of prepayment, interest with respect to the Obligations will cease to accrue and become payable and that if such moneys are not so held, the prepayment will not occur.

* Subject to change.

Notice of any prepayment will also be provided as set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a prepayment for redemption if notice thereof is given as prescribed above

PLAN OF REFUNDING

The proceeds from the sale of the Obligations remaining after payment of the costs of issuance will be placed in an escrow trust (the “Escrow Trust”) with _____, as escrow trustee (the “Escrow Trustee”) pursuant to the terms of an Escrow Trust Agreement, to be dated as of _____ 1, 2017*, between the City and the Escrow Trustee, and invested in obligations issued by the United States of America (“Government Obligations”), to be applied to the prepayment of the Prior Loan Agreement. Amounts held in the Escrow Trust will be applied to prepay amounts due pursuant to the Prior Loan Agreement on July 1, 2018, for the Greater Arizona Development Authority Infrastructure Revenue Bonds, Tax-Exempt Series 2009A and on July 1, 2019, for the Greater Arizona Development Authority Infrastructure Revenue Bonds, Taxable Series 2009A (collectively, the “GADA Bonds Being Refunded”). Amounts received by GADA with respect to the prepayment of the Prior Loan Agreement are expected to be used, [together with other funds held by GADA], to redeem \$12,845,000 aggregate principal amount of the GADA Bonds Being Refunded shown below on August 1, 2018, for the Greater Arizona Development Authority Infrastructure Revenue Bonds, Tax-Exempt Series 2009A and the Greater Arizona Development Authority Infrastructure Revenue Bonds, Taxable Series 2009A, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. However, the City has no control over the actual application of amounts received by GADA with respect to the prepayment of the Prior Loan Agreement.

Schedule of Bonds Being Refunded*

Issue Series	Maturity Date (August 1)	Coupon	Principal Amount Outstanding	Amount Being Refunded	Redemption Date (August 1)	Redemption Premium (as a Percentage of Principal)
Tax-Exempt Series 2009A	2038	4.250%	\$3,025,000	\$3,025,000	2018	0.000%
Taxable Series 2009A	2019	4.100	550,000	550,000	N/A	0.000
	2029	4.125	4,310,000	4,310,000	2019	0.000
	2036	4.200	4,960,000	4,960,000	2019	0.000
			<u>\$12,845,000</u>	<u>\$12,845,000</u>		

* *Subject to change.*

Upon execution and delivery of the Obligations and such deposit of the proceeds, the Prior Loan Agreement will be prepaid in full and will not be secured by revenues from the Excise Taxes and the State Shared Revenues.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent certified public accountants, will deliver to the City, on or before the settlement date of the Obligations, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants (the "AICPA"), the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Prior Loan Agreement and (b) the mathematical computations of yield used by Special Counsel to support its opinion that interest on the Tax-Exempt Obligations will be excluded from gross income for federal income tax purposes.

Grant Thornton LLP relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Grant Thornton LLP has relied on any information provided to it by the City's retained advisors, consultants or legal counsel. Grant Thornton LLP was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS

General

The Obligations will be special, limited revenue obligations, taking the form of undivided, participating, proportionate interests in the Payments. The obligation of the City to make the Payments will be limited to payment from revenues from Excise Taxes and State Shared Revenues and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the City or the State or any political subdivisions thereof, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

Revenues from Excise Taxes and State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement will constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City. The City may also make the Payments from its other funds as permitted by law and as the City determines from time to time, and the Trustee will thereafter have no claim to such other funds.

Under the terms of the Trust Agreement, an irrevocable trust will be administered by the Trustee for the equal and proportionate benefit of the Owners of the Obligations, which trust includes: (1) all right, title and interest of the Trustee, as seller, in the Purchase Agreement and the right to (a) make claim for, collect or receive all amounts payable or receivable thereunder, (b) to bring actions and proceedings thereunder or for the enforcement of such rights, and (c) to do any and all other things which the Trustee is entitled to do thereunder; (2) amounts on deposit from time to time in the funds created pursuant to the Trust Agreement; and (3) any and all other property of any kind conveyed after the date of the Trust Agreement as additional security for the Obligations. See APPENDIX D - "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS - THE TRUST AGREEMENT."

Pledge

The Payments will be secured by a paramount and first lien on and pledge of revenues from the Excise Taxes and the State Shared Revenues, on parity with the pledge and lien for the payment and security of the First Purchase Agreement and any Parity Lien Obligations. All of such payments will be coequal as to the pledge of and lien on revenues from the Excise Taxes and the State Shared Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from revenues from the Excise Taxes and the State Shared Revenues or security therefor. The pledge will be a paramount and first lien on and pledge of revenues from Excise Taxes and State Shared Revenues, as will be sufficient to make the Payments and payments on the First Purchase Agreement and any Parity Lien Obligation. If at any time the moneys in the funds held for payment of amounts due under the Purchase Agreement or the Trust Agreement are not sufficient to make the deposits and transfers required, any such deficiency will be made up from the first moneys thereafter received and available for such transfers under

the terms of the Purchase Agreement and, with respect to payment from revenues from Excise Taxes and State Shared Revenues, *pro rata*, as applicable, with amounts due with respect to obligations on a parity therewith. The Purchase Agreement will not terminate so long as any of the Payments are due and owing pursuant to the terms of the Obligations.

THE PAYMENTS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY NOR WILL THE CITY BE LIABLE FOR THE PAYMENTS FROM *AD VALOREM* PROPERTY TAXES. PURSUANT TO THE TRUST AGREEMENT, THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS, PAYABLE SOLELY FROM THE PAYMENTS MADE PURSUANT TO THE PURCHASE AGREEMENT. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF AND WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

Coverage Requirements

To the extent permitted by applicable law, revenues from Excise Taxes and State Shared Revenues will be retained and maintained so that the amounts received from revenues from Excise Taxes and State Shared Revenues within and for the most recently completed fiscal year of the City, will be equal to at least two (2) times the total of interest and principal requirements for the current fiscal year of the City for the First Purchase Agreement, the Purchase Agreement and any Parity Lien Obligations. If revenues from Excise Taxes and State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1.25) times the total of interest and principal requirements for the current fiscal year of the City for the First Purchase Agreement, the Purchase Agreement and any Parity Lien Obligations or if at any time it appears that revenues from Excise Taxes and State Shared Revenues will not be sufficient to meet such requirements, the City will, to the extent permitted by applicable law, impose new exactions of the type of Excise Taxes which will be part of Excise Taxes or increase the rates for the Excise Taxes currently imposed by the City fully sufficient at all times, after making allowances for contingencies and errors, in each fiscal year of the City in order that (i) revenues from Excise Taxes and State Shared Revenues will be sufficient to meet all such requirements and (ii) revenues from Excise Taxes and State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this paragraph.

Parity Lien Obligations

So long as any amounts due under the Purchase Agreement remain unpaid or unprovided for, the City shall not further encumber revenues from Excise Taxes and State Shared Revenues on a basis equal to the pledge under the Purchase Agreement unless revenues from Excise Taxes plus State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the City, shall have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the City for the First Purchase Agreement, the Purchase Agreement and the other of the Parity Lien Obligations secured or so proposed to be secured by such pledge of revenues from Excise Taxes and State Shared Revenues on a parity of lien therewith.

Historical Excise Tax Revenues and State Shared Revenues

The following table sets forth the City's audited Excise Taxes and State Shared Revenues collections for fiscal years 2012/13 through and including 2015/16, estimated, actual collections for fiscal year 2016/17 and budgeted collections for fiscal year 2017/18.

TABLE 5
HISTORICAL EXCISE TAX REVENUES
AND STATE SHARED REVENUES COLLECTIONS (a)

Category	Audited				Est. Actual
	2012/13	2013/14	2014/15	2015/16	2016/17 (b)
City Sales Tax (c)	\$ 6,531,779	\$ 6,750,517	\$ 7,324,294	\$ 7,508,359	\$7,694,569
State-shared Sales Taxes	2,104,763	2,812,693	2,550,693	2,659,098	2,889,973
State-shared Income Taxes	2,605,281	3,559,275	3,378,557	3,360,240	3,856,245
Auto-in-lieu	1,015,403	959,549	1,007,212	1,104,206	1,259,413
Licenses and permits	389,295	431,909	483,218	528,034	741,088
Fines and forfeitures	792,994	687,319	611,178	541,336	294,741
	<u>\$13,439,515</u>	<u>\$15,201,262</u>	<u>\$15,355,152</u>	<u>\$15,701,273</u>	<u>\$16,736,029</u>

- (a) *Due to the City's participation in the ADOR sales tax collection program and ADOR's reporting of collections on a cash basis, the totals represented here may differ from the amounts shown for City Transaction Privilege (Sales) Tax Collections in TABLE 3.*
- (b) *Figures for fiscal year 2016/17 are unaudited amounts, subject to change upon finalization and audit that should be considered with an abundance of caution.*
- (c) *The City's retail sales are impacted by Mexican citizens residing in or near the City's sister city, San Luis, Sonora, Mexico. The buying power of such shoppers is tied to the relative value of the Mexican peso vis-à-vis the U.S. dollar. In the past, devaluations of the peso have reduced these shoppers' buying power and have impacted the City's transaction privilege (sales) tax collections.*

LITIGATION

No litigation or administrative action or proceeding is pending or threatened against the City which questions the City's right to adopt or comply with the provisions of the documents under which the Obligations have been authorized or the validity or enforceability thereof or to consummate the transactions described therein or herein; nor is there any litigation or administrative action or proceeding threatened against the City which, if decided adversely to the City, as applicable, would impair the City's ability to comply with all of the requirements of the documents under which the Obligations have been authorized or have a material adverse effect upon the financial condition of the City. Representatives of the City will deliver certificates to that effect at the time of the initial delivery of the Obligations.

of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendition of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS – TAX-EXEMPT OBLIGATIONS

General

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet after the execution and delivery of the Tax-Exempt Obligations in order that the portion of each of the Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Tax-Exempt Obligations (the “Tax-Exempt Interest Portion”) be and remain excludable from gross income of the holders thereof for federal income tax purposes. The City’s failure to meet these requirements may cause the Tax-Exempt Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the Tax-Exempt Obligations. The City has covenanted to take the actions required by the Code in order to maintain the excludability from gross income for federal income tax purposes of the Tax-Exempt Interest Portion and not to take any actions that would adversely affect that excludability.

In the opinion of Special Counsel, assuming continuing compliance by the City with the tax covenants referred to above and the accuracy of certain representations of the City, under existing statutes, regulations, rulings and court decisions, the Tax-Exempt Interest Portion will be excludable from gross income for federal income tax purposes. The Tax-Exempt Interest Portion will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, the Tax-Exempt Interest Portion will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Special Counsel is further of the opinion that the Tax-Exempt Interest Portion will be exempt from income taxation under the laws of the State of Arizona so long as the Tax-Exempt Interest Portion is excludable from gross income for federal income tax purposes.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Tax-Exempt Interest Portion or the ownership or disposition of the Tax-Exempt Obligations. Prospective purchasers of Tax-Exempt Obligations should be aware that the ownership of Tax-Exempt Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Tax-Exempt Obligations or, in the case of a financial institution, that portion of the owner’s interest expense allocable to the Interest Portion, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the Tax-Exempt Interest Portion, (iii) the inclusion of the Tax-Exempt Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Tax-Exempt Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) recipients of certain Social Security and Railroad Retirement benefits being required to take into account receipts and accrual of the Tax-Exempt Interest Portion in determining whether a portion of such benefits are included in gross income for federal income tax purposes.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal income tax matters referred to herein or adversely affect the market value of the Tax-Exempt Obligations. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Tax-Exempt Obligations), executed and delivered prior to enactment.

The discussion of tax matters in this Official Statement applies only in the case of purchasers of the Tax-Exempt Obligations at their original execution and delivery and at the respective prices indicated on the inside front cover page of this Official Statement. It does not address any other tax consequences, such as, among others, the

consequence of the existence of any market discount to subsequent purchasers of the Tax-Exempt Obligations. Purchasers of the Tax-Exempt Obligations should consult their own tax advisors regarding their particular tax status or other tax considerations resulting from ownership of the Tax-Exempt Obligations.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Tax-Exempt Obligations is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Tax-Exempt Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Tax-Exempt Obligations, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Tax-Exempt Obligations and proceeds from the sale of Tax-Exempt Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Tax-Exempt Obligations. This withholding generally applies if the owner of Tax-Exempt Obligations (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the

Tax-Exempt Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Original Issue Discount and Premium

Certain of the Tax-Exempt Obligations, as indicated on the inside front cover page of this Official Statement ("Tax-Exempt Discount Obligations"), may be offered and will be sold to the public at an original issue discount ("Original Issue Discount"). Original Issue Discount is the excess of the stated prepayment price at payment (the principal amount) over the "issue price" of a Tax-Exempt Discount Obligation. The issue price of a Tax-Exempt Discount Obligation is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Tax-Exempt Discount Obligations of the same payment date will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount accrues to the owner of a Tax-Exempt Discount Obligation over the period to payment date based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of Original Issue Discount that accrues during the period of ownership of a Tax-Exempt Discount Obligation (i) will be interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as the Tax-Exempt Interest Portion, and (ii) will be added to the owner's tax basis for purposes of determining gain or loss on the payment, prepayment, prior sale or other disposition of that Tax-Exempt Discount Obligation.

Certain of the Tax-Exempt Obligations, as indicated on the inside front cover page of this Official Statement (the "Tax-Exempt Premium Obligations"), may be offered and will be sold to the public at a price in excess of their stated prepayment price at their payment date. That excess constitutes obligation premium. For federal income tax purposes, obligation premium is amortized over the period to the payment date of a Tax-Exempt Premium Obligation, based on the yield to the payment date of that Tax-Exempt Premium Obligation (or, in the case of a Tax-Exempt Premium Obligation callable prior to its stated payment date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Tax-Exempt Premium Obligation), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that obligation premium is deductible by the owner of a Tax-Exempt Premium Obligation. For purposes of determining the owner's gain or loss on the sale, prepayment (including prepayment at its payment date) or other disposition of a Tax-Exempt Premium Obligation, the owner's tax basis in the Tax-Exempt Premium Obligation is reduced by the amount of obligation premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Tax-Exempt Premium Obligation for an amount equal to or less than the amount paid by the owner for that Tax-Exempt Premium Obligation.

Owners of Tax-Exempt Discount Obligations and Tax-Exempt Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of obligation premium properly accruable in any period with respect to the Tax-Exempt Discount Obligations and Tax-Exempt Premium Obligations and as to other federal tax consequences, and the treatment of obligation premium for purposes of state and local taxes on, or based on, income.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS IN RESPECT OF THE TAXABLE OBLIGATIONS

General

Special Counsel expresses no opinion regarding the excludability of the portion of each of the Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Taxable Obligations (the "Taxable Interest Portion") from gross income for federal or Arizona income tax purposes.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Taxable Obligations. The discussion below is based upon current provisions of the Code, current final, temporary and proposed Treasury regulations, judicial authority and current administrative rulings and pronouncements of the IRS. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been, or is expected to be, sought on the issues discussed herein. Legislative, judicial, or administrative changes or interpretations may occur that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may or may not be retroactive and could affect the tax consequences discussed below.

The summary is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of Taxable Obligations and does not address U.S. federal gift or (for U.S. Holders) estate tax consequences or alternative minimum, foreign, state, local or other tax consequences. This summary does not purport to address special classes of taxpayers (such as S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the United States, broker-dealers, traders in securities and tax-exempt organizations) that are subject to special treatment under the federal income tax laws, or persons that hold Taxable Obligations that are a hedge against, or that are hedged against, currency risk or that are part of a hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the U.S. dollar. This summary also does not address the tax consequences to an owner of Taxable Obligations held through a partnership or other pass-through entity treated as a partnership for U.S. federal income tax purposes. In addition, this discussion is limited to persons purchasing the Taxable Obligations for cash in this offering at their "issue price" within the meaning of Section 1273 of the Code (i.e., the first price at which a substantial amount of Taxable Obligations are sold to the public for cash), and it does not address the tax consequences to holders that purchase the Taxable Obligations after their original execution and delivery. This discussion assumes that the Taxable Obligations will be held as capital assets within the meaning of Section 1221 of the Code.

As used herein, the term "U.S. Holder" means a beneficial owner of Taxable Obligations that is (i) an individual citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity classified as a corporation for U.S. federal tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust if (a) a U.S. court can exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of the Code) has the authority to control all of the substantial decisions of such trust or (b) the trust has made a valid election under applicable Treasury regulations to be treated as a United States person (within the meaning of the Code). As used herein, the term "Non-U.S. Holder" means a beneficial owner of Taxable Obligations that is not a U.S. Holder.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, PROSPECTIVE HOLDERS OF THE TAXABLE OBLIGATIONS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT

TO THEIR PARTICULAR TAX SITUATIONS AND AS TO ANY FEDERAL, FOREIGN, STATE, LOCAL OR OTHER TAX CONSIDERATIONS (INCLUDING ANY POSSIBLE CHANGES IN TAX LAW) AFFECTING THE PURCHASE, HOLDING AND DISPOSITION OF THE TAXABLE OBLIGATIONS.

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

This section describes certain U.S. federal income tax consequences to U.S. Holders. Non-U.S. Holders should see the discussion under the heading “Certain Federal Income Tax Consequences to Non-U.S. Holders” below for a discussion of certain tax consequences applicable to them.

Interest. The Taxable Interest Portion will generally be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

Disposition of the Taxable Obligations. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption (including pursuant to an offer by the City) or other disposition of a Taxable Obligation, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of Taxable Obligations will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Obligations which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the Taxable Obligations (which generally will equal the amount paid for the Taxable Obligation by such U.S. Holder). Any such gain or loss generally will be long-term capital gain or loss, provided the Taxable Obligations have been held for more than one year at the time of the disposition. Net long-term capital gain recognized by an individual U.S. Holder generally will be subject to tax at a lower rate than net short-term capital gain or ordinary income. The deductibility of capital losses is subject to limitations.

Deemed Sale or Exchange of Taxable Obligations. A U.S. Holder may be deemed to have sold or exchanged a Taxable Obligation if certain changes are made to the rights or remedies of the Owners of the Taxable Obligations or the City, including if the liability of the City in respect of such Taxable Obligation ceases as a result of an election by the City to pay and discharge the indebtedness on such Taxable Obligation by depositing with the Trustee sufficient cash and/or United States government obligations to pay or redeem and discharge the indebtedness on such Taxable Obligation (a “legal defeasance”). In the event of a legal defeasance, a U.S. Holder generally will recognize gain or loss on the deemed exchange of the Taxable Obligations. Ownership of the Taxable Obligations after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different than those described in this “CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS IN RESPECT OF THE TAXABLE OBLIGATIONS” section and each U.S. Holder should consult its own tax advisor regarding the consequences to such U.S. Holder of a legal defeasance of the Taxable Obligations.

Additional Tax on Net Investment Income. For taxable years beginning after December 31, 2012, an additional 3.8% tax is imposed on the “net investment income” of certain U.S. citizens and residents, and on the undistributed “net investment income” of certain estates and trusts. Among other items, “net investment income” generally includes gross income from interest and certain net gain from the sale, exchange, redemption or other taxable disposition of a debt instrument that produces interest, less certain deductions. U.S. Holders should consult their own tax advisors with respect to this additional tax.

Information Reporting and Backup Withholding. The Trustee (the “payor”) must report annually to the IRS and to each U.S. Holder any interest that is payable to the U.S. Holder, subject to certain exceptions. Under Section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Taxable Obligation may be subject to backup withholding at a rate of 28% with respect to “reportable payments,” which include interest paid on the Taxable Obligations and the gross proceeds of a sale, exchange, redemption or retirement of the Taxable Obligations. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a TIN to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules do not constitute

an additional tax and will be credited against the U.S. Holder's federal income tax liabilities (and possibly result in a refund), so long as the required information is timely provided to the IRS.

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

This section describes certain U.S. federal income and estate tax consequences to Non-U.S. Holders.

Interest. If, under the Code, the Taxable Interest Portion is "effectively connected with the conduct of a trade or business within the United States" by a Non-U.S. Holder, such interest will be subject to U.S. federal income tax in a similar manner as if the Taxable Obligations were held by a U.S. Holder, as described above, and in the case of Non-U.S. Holders that are corporations may be subject to U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. Such Non-U.S. Holder will not be subject to withholding taxes, however, if it provides a properly executed Form W-8ECI to the payor.

The Taxable Interest Portion paid with respect to Taxable Obligations held by other Non-U.S. Holders may be subject to withholding taxes of up to 30% of each payment made to the Non-U.S. Holders unless the "portfolio interest" exemption applies, or, as discussed below, such withholding taxes are eliminated by an applicable treaty. In general, the Taxable Interest Portion paid to a Non-U.S. Holder may qualify for the portfolio interest exemption, and thus will not be subject to U.S. federal withholding tax, if (1) such Non-U.S. Holder is not a "controlled foreign corporation" (within the meaning of Section 957 of the Code) related, directly or indirectly, to the City; (2) the Non-U.S. Holder is not a bank receiving interest on an extension of credit made in the ordinary course of its trade or business described in Section 881(c)(3)(A) of the Code; (3) the interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States under Section 871(b) or Section 882 of the Code; (4) the Non-U.S. Holder is not an individual who ceased being a U.S. citizen or long-term resident of the United States for tax avoidance purposes to which Section 877 of the Code applies; and (5) either (A) the payor receives from the Non-U.S. Holder who is the beneficial owner of the obligation a statement signed by such person under penalties of perjury, on IRS Form W-8BEN or W-8BEN-E (or successor form), certifying that such owner is not a U.S. Holder and providing such owner's name and address or (B) a securities clearing organization, bank or other financial institution that holds the Taxable Obligations on behalf of such Non-U.S. Holder in the ordinary course of its trade or business certifies to the payor, under penalties of perjury, that such an IRS Form W-8BEN or W-8BEN-E (or a successor form) has been received from the beneficial owner by it and furnishes the payor with a copy thereof. Alternative methods may be applicable for satisfying the certification requirement described above. Foreign trusts and their beneficiaries are subject to special rules, and such persons should consult their own tax advisors regarding the certification requirements.

If a Non-U.S. Holder does not claim, or does not qualify for, the benefit of the portfolio interest exemption, the Non-U.S. Holder may be subject to a 30% withholding tax on Taxable Interest Portion payments. However, the Non-U.S. Holder may be able to claim the benefit of an exemption from or reduced withholding tax rate under an applicable income tax treaty between the Non-U.S. Holder's country of residence and the U.S. Non-U.S. Holders are urged to consult their own tax advisors regarding their eligibility for treaty benefits. The required information for claiming treaty benefits is generally submitted on Form W-8BEN or W-8BEN-E. In addition, a Non-U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number.

In addition to the rules relating to U.S. taxation of interest, Sections 1471 through 1474 of the Code ("FATCA") generally will impose withholding at a rate of 30% on any payments on the Taxable Obligations made to a foreign financial institution or non-financial foreign entity (including, in some cases, when such foreign financial institution or entity is acting as an intermediary), and on the gross proceeds of the sale or other disposition of the Taxable Obligations, unless (i) in the case of a foreign financial institution, such institution enters into an agreement with the U.S. government to withhold on certain payments, and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners); (ii) in the case of a non-financial foreign entity, such entity certifies that it does not have any substantial U.S. owners or provides the withholding agent with a certification identifying the direct and indirect substantial U.S. owners of the entity; (iii) the foreign financial institution or non-financial foreign entity complies with any requirements imposed pursuant to an intergovernmental agreement between the U.S. government and the government of a foreign country applicable to such foreign financial institution or non-financial foreign entity; or (iv) the foreign financial institution or non-

financial foreign entity otherwise qualifies for an exemption from these rules. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes.

For the purpose of the preceding paragraphs, a “foreign financial institution” generally is a non-U.S. entity that (i) accepts deposits in the ordinary course of a banking or similar business, (ii) as a substantial portion of its business, holds financial assets for the account of others, (iii) is engaged (or holds itself out as being engaged) primarily in the business of investing, reinvesting, or trading in securities, partnership interests or commodities, or interests in securities, partnership interests, commodities or certain other financial instruments, or (iv) is an insurance company that meets certain requirements. However, if an entity is located in a country that has entered into an IGA, the types of entities that are subject to the obligations imposed on foreign financial institutions may differ somewhat from those described in this paragraph.

Under certain Treasury Regulations, debt securities that were outstanding on or before January 1, 2014 are grandfathered from the application of the above withholding rules. For those that are not grandfathered (which would include the Taxable Obligations), withholding will only apply to payments of the Taxable Interest Portion made on or after July 1, 2014 and to payments of gross proceeds from a sale or other disposition of the Taxable Obligations made on or after January 1, 2017. Holders of the Taxable Obligations are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on an investment in the Taxable Obligations.

Disposition of the Taxable Obligations. Except to the extent provided by FATCA (discussed in the second preceding paragraph above), a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange, redemption or other disposition of a Taxable Obligation. (Such gain does not include proceeds attributable to accrued but unpaid interest with respect to the Taxable Obligations, which will be treated as interest). A Non-U.S. Holder may, however, be subject to U.S. federal income tax on such gain if: (1) the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more in the taxable year of the disposition; or (2) the gain is effectively connected with the conduct of a U.S. trade or business, as provided by applicable U.S. tax rules (in which case the U.S. branch profits tax may also apply), unless an applicable tax treaty provides otherwise.

Information Reporting and Backup Withholding. The payor must report annually to the IRS and to each Non-U.S. Holder any interest that is subject to U.S. withholding taxes or that is exempt from U.S. withholding taxes pursuant to an income tax treaty or certain provisions of the Code. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities of the country in which the Non-U.S. Holder resides.

A Non-U.S. Holder generally will not be subject to backup withholding with respect to payments of interest on the Taxable Obligations as long as the Non-U.S. Holder (i) has furnished to the payor a valid IRS Form W-8BEN or W-8BEN-E certifying, under penalties of perjury, its status as a non-U.S. person, (ii) has furnished to the payor other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with Treasury regulations, or (iii) otherwise establishes an exemption. A Non-U.S. Holder may be subject to information reporting and/or backup withholding on a sale of the Taxable Obligations through the United States office of a broker and may be subject to information reporting (but generally not backup withholding) on a sale of the Taxable Obligations through a foreign office of a broker that has certain connections to the United States, unless the Non-U.S. Holder provides the certification described above or otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

Amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder’s U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

U.S. Federal Estate Tax. A Taxable Obligation held or beneficially owned by an individual who, for estate tax purposes, is not a citizen or resident of the United States at the time of death will not be includable in the decedent’s gross estate for U.S. estate tax purposes, unless (1) at the time of such individual’s death, payments in respect of the Taxable Obligations would have been effectively connected with the conduct by such individual of a U.S. trade or business, or (2) the Non-U.S. Holder was an individual who ceased being a U.S. citizen or long-term resident of the

United States for tax avoidance purposes to which Section 877 of the Code applies. In addition, the U.S. estate tax may not apply with respect to such Taxable Obligation under the terms of an applicable estate tax treaty.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF TAXABLE OBLIGATIONS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAXABLE OBLIGATIONS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein, and on Individual Retirement Accounts described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements. Additionally, such governmental and non-electing church plans are not subject to the requirements of Section 4975 of the Code. Accordingly, assets of such plans may be invested in the Taxable Obligations without regard to the ERISA and Code considerations described below, subject to the provisions of applicable federal and state law.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; and (3) an employer or employee organization any of whose employees or members are covered by the plan. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available.

Certain transactions involving the purchase, holding or transfer of the Taxable Obligations might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Institution were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Institution would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan acquires an "equity interest" in the Institution and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Taxable Obligations should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

However without regard to whether the Taxable Obligations are treated as an equity interest for such purposes, though, the acquisition or holding of Taxable Obligations by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the City or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Taxable Obligations by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Taxable Obligation. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by certain “in-house asset managers”; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts”; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Taxable Obligations, or that, if available, the exemption would cover all possible prohibited transactions.

Any ERISA Plan fiduciary considering whether to purchase the Taxable Obligations on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of any similar state or federal law.

RATING

Standard & Poor's Financial Services LLC ("S&P") has assigned the rating of "___" to the Obligations. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, California 94111. Such rating, if assigned, may be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligations. The City has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any rating relating to the Obligations. See "CONTINUING DISCLOSURE" and APPENDIX F – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Mayor and Council will designate the Obligations as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), and, in that regard, will represent and warrant that they do not anticipate that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by or on behalf of the City in calendar year 2017 will exceed \$10,000,000.

UNDERWRITING

The Obligations will be purchased by the Underwriter at an aggregate purchase price of \$_____, pursuant to an obligation purchase contract (the "Obligation Purchase Contract") entered into by and between the City and the Underwriter. If the Obligations are sold to produce the yields shown on the inside front cover page hereof, the Underwriter's compensation will be \$_____. The Obligation Purchase Contract provides that the Underwriter will purchase all of the Obligations so offered if any are purchased. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing bonds into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter.

POLITICAL CONTRIBUTIONS

To the best of its knowledge, the Underwriter has not made political contributions, other than those, if any, permitted under applicable securities regulations, to any person who sought a seat on the City Council at its last election or, to the best of their knowledge, any prior election.

RELATIONSHIP AMONG PARTIES

Special Counsel and counsel to the Underwriter have and continue to represent the Underwriter with respect to financings other than for the City and will continue to do so if requested in the future. Special Counsel and counsel to the Underwriter have also previously acted as special counsel with respect to other obligations underwritten by the Underwriter and will continue to do so if requested in the future.

CONTINUING DISCLOSURE

The City, as the obligated person with respect to the Obligations, has covenanted for the benefit of certain owners of the Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2018 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices of Listed Events"). The Annual Reports, the Notices of Listed Events and any other required filing will be filed by the City with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system, each described in APPENDIX F – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The form of the undertaking and the specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is set forth in APPENDIX F. These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price. Absence of continuing disclosure could adversely affect the Obligations and specifically their market price and transferability.

The City previously entered into continuing disclosure certificates (the "Prior Disclosure Undertakings") with respect to the City's previously issued bonds, which requires the filing on or before February 1 of each year of audited financial statements and annual updates with respect to certain financial information and operating data related to the City (collectively, the "Prior Annual Report"). The City failed to file the Prior Annual Reports with respect to fiscal years ended June 30, 2014 through and including June 30, 2016 to the associated nine-digit CUSIP numbers for the City's Prior Disclosure Undertakings. Such data was completely filed by August __, 2017. The City has implemented procedures to facilitate compliance with the Prior Disclosure Undertakings, the continuing disclosure undertaking related to the Obligations and future similar undertakings in all material respects.

FINANCIAL STATEMENTS

The financial statements of the City for the period ended June 30, 2016, a copy of which are included in APPENDIX C – "CITY OF SAN LUIS, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016" of this Official Statement, includes the City's financial statements for the fiscal year ended June 30, 2016 that were audited by Heinfeld, Meech & Co., P.C., a certified public accounting firm, to the extent indicated in its report thereon. **The City has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.** Representatives of the City are not aware of any facts that would make such audited financial statements misleading.

THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX C OF THIS OFFICIAL STATEMENT ARE CURRENT AS OF THEIR DATE ONLY AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE CITY.

CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Purchase Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Obligations.

The attached APPENDICES A through G are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been prepared at the direction of the City and has been approved by and executed for and on behalf of the City by its authorized representative indicated below.

CITY OF SAN LUIS, ARIZONA

By: _____
Mayor

**CITY OF SAN LUIS, ARIZONA –
DEMOGRAPHIC AND ECONOMIC INFORMATION**

General

The City of San Luis (the “City”) is located in the Southwest corner of Arizona, within Yuma County, Arizona (the “County”) in the United States. San Luis is the border city to San Luis, Sonora, Mexico. The City was established in 1930 as a U.S. Port of entry into Mexico and was incorporated in 1979. The City is approximately 20 miles south of the City of Yuma, Arizona (population of approximately 91,923), the county seat for the County. The following table illustrates population statistics for the City, the County and the State.

POPULATION STATISTICS

	<u>City of San Luis</u>	<u>Yuma County</u>	<u>State of Arizona</u>
2016 Estimate (a)	34,663	217,730	6,835,518
2010 Census	25,505	175,045	6,392,017
2000 Census	15,322	160,026	5,130,632
1990 Census	4,212	106,895(a)	3,665,339
1980 Census	1,964	76,205	2,716,546
1970 Census (b)	189	60,827	1,775,399

(a) Estimate as of July 2016.

(b) La Paz County was included in Yuma County.

Source: Arizona Department of Commerce, Population Statistics Unit and the U.S. Census Bureau.

Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and six Council Members, all elected on a non-partisan basis. The Mayor is elected at-large for a four-year term. Council members are elected for four-year terms, with three members elected every two years. The City Council is responsible for passing ordinances, adopting the budget, appointing committee, commission and board members and appointing the positions of City Manager, City Attorney and Magistrate. The City Manager is responsible for carrying out the policies and ordinances of the City Council as well as overseeing the day-to-day operations of the City.

The City provides police and fire protection, solid waste services, and water and sewer services. City recreational activities are served by two community centers, one swimming pool and five parks.

Economy

Below is a list of the major employers in the City.

**MAJOR EMPLOYERS
City of San Luis, Arizona**

<u>Employer</u>	<u>Description</u>	<u>Approximate Number of Employees</u>
Gadsden Unified School District	Education	870
Arizona State Prison	Government	855
ACT Call Center	Professional service	820
Factor Sales	Professional service	410
Wal-Mart	Retail	330
City of San Luis	Government	240
San Luis Detention Center	Government (operated by private entity)	124

Source: The City.

The unemployment rate averages are reflective of the seasonal employment in the agriculture industry. The following table illustrates unemployment for the City.

**UNEMPLOYMENT RATE AVERAGES
City of San Luis, Arizona**

<u>Calendar Year</u>	<u>City of San Luis</u>
2017(a)	37.5%
2016	41.9
2015	48.3
2014	49.0
2013	51.9
2012	48.9

(a) Data through June 2017.

Source: Arizona Office of Unemployment and Population Statistics, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Commerce

The following table illustrates the past five years of sales tax collections.

TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS
City of San Luis, Arizona
(\$000s omitted)

Fiscal Year	Amount
2015/16	\$7,508
2014/15	7,358
2013/14	6,750
2012/13	6,531
2011/12	6,073

Source: Arizona Department of Revenue.

Tourism

Visitor attractions within a 30 minute drive of San Luis include the old Territorial Prison, Fort Yuma and the 16th century Fort Thomas Mission. Laguna, Imperial and Morelos Dams and the California sand dunes are also nearby. Fishing, water skiing and swimming at lakes along the Colorado River attract residents of the area and tourists alike. Located across the border is San Luis, Sonora, Mexico, reputed to be Mexico's fastest-growing city with a population of approximately 200,000. This area has curio shops, night clubs and various other attractions for tourists.

Transportation

The City is served by Yuma County Area Transit's Yuma-San Luis line, which is operated by the Yuma Metropolitan Planning Organization (YMPO). The bus, or Y CAT, has a total of eight stops in the City and then it continues to Yuma, going through Gadsden and Somerton along the way.

U.S. Route 95 connects the City to Yuma, as does Arizona State Route 195. The San Luis Port of Entry and the San Luis II Port of Entry for trucks and commercial vehicles connect the City to San Luis Río Colorado, Sonora, Mexico.

Several taxi companies operate within the City boundaries. Taxis are operated by individuals under company concession and under authority of the police department.

Education

The City is served by Gadsden Elementary School District No. 32, Yuma Union High School District No. 70, Harvest Preparatory Academy, Arizona Western College and Arizona State University. The elementary schools are: Gadsden Elementary, Rio Colorado Elementary, Arizona Desert Elementary, Ed Pastor Elementary, Cesar Chavez Elementary, and Desert View Elementary, San Luis Middle School and Southwest Jr. High.

APPENDIX B

**CITY OF SAN LUIS, ARIZONA –
FINANCIAL DATA**

THE OBLIGATIONS WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADING “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.” THE OBLIGATIONS WILL NOT BE A GENERAL OBLIGATION OF THE CITY.

**Current Year Statistics (For Fiscal Year 2016/17)
City of San Luis, Arizona**

General Obligation Bonds Outstanding		None
Excise Tax Revenue Obligations Outstanding and to be Outstanding	\$	41,900,000*(a)
Water Revenue-Secured Obligations Outstanding		6,050,000

* *Subject to change.*

(a) *Includes the Obligations and is net of the amounts prepaid with respect to the Prior Loan Agreement.*

STATEMENTS OF BONDED INDEBTEDNESS

**General Obligation Bonds Outstanding
City of San Luis, Arizona**

Total General Obligation Bonds Outstanding	<u>None</u>
--	-------------

**Excise Tax Revenue Obligations Outstanding and to be Outstanding
City of San Luis, Arizona**

Issue Series	Original Amount	Final Maturity Date (July 1)	Balance Outstanding	Less: Bonds Being Refunded	Balance Outstanding and to be Outstanding
Taxable Series 2009A	\$10,725,000	2036	\$9,820,000	(\$9,820,000)	\$ -
Tax-Exempt Series 2009A	3,025,000	2038	3,025,000	(3,025,000)	-
2014A	28,795,000	2038	27,295,000		27,295,000
2014B	2,220,000	2019	700,000		<u>700,000</u>
Total Excise Tax Revenue and State Shared Revenue-Secured Obligations Outstanding					\$ 27,995,000
Plus: The Obligations					<u>13,905,000*</u>
Total Net Excise Tax Revenue and State Shared Revenue Obligations Outstanding and to be Outstanding					<u>\$ 41,900,000*</u>

* *Subject to change.*

**Total Water Revenue-Secured Obligations Outstanding
City of San Luis, Arizona**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Final Maturity Date (May 1)</u>	<u>Balance Outstanding</u>
2013	\$6,580,000	2033	<u>\$ 6,050,000</u>
Total Water Revenue-Secured Obligations Outstanding			<u><u>\$6,050,000</u></u>

RETIREMENT SYSTEM
[PSPRS Settlement to be reviewed]

Retirement Benefits

The City contributes to the retirement plans described below and as referenced in Note 15 in APPENDIX C – “CITY OF SAN LUIS, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016.” Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. The City and its members contribute to the following retirement systems:

The Arizona State Retirement System (“ASRS”) is a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit plan, and a cost-sharing multiple-employer defined benefit long-term disability plan. ASRS has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: <https://www.azasrs.gov/content/annualreports>. The increase in ASRS’ unfunded liabilities is expected to result in increased future annual contribution to ASRS by the City and its employees.

The table below shows recent actuarially determined contribution rates that the active ASRS members and the City are/were required to contribute and the plan’s funded status.

<u>Fiscal year ended</u>	<u>Retirement and Health Insurance Premiums</u>	<u>Long-term Disability</u>	<u>Total Contribution Rate</u>	<u>Funded Status</u>
June 30, 2018	11.34%	0.16%	11.50%	unavailable
June 30, 2017	11.34	0.14	11.48	unavailable
June 30, 2016	11.35	0.12	11.47	77.6%
June 30, 2015	11.48	0.12	11.60	77.5
June 30, 2014	11.30	0.24	11.54	76.9

The City’s employer contributions to ASRS for the four most recent audited years were as follows:

<u>Fiscal year ended</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-term Disability Fund</u>
June 30, 2016	\$650,874	\$29,994	\$7,199
June 30, 2015	622,364	33,719	7,097
June 30, 2014	590,728	32,754	13,250
June 30, 2013	543,219	33,254	12,502

The Public Safety Personnel Retirement system (“PSPRS”) is an agent multiple-employer defined benefit pension plan and an agent multiple employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned to hazardous duties for which the Arizona State Legislature establishes active plan members’ contribution rates. PSPRS has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm. The increase in the PSPRS’s unfunded liabilities is expected to result in increased future annual contributions to PSPRS by the City and its public safety employees, however the specific impact on the City, or on the City’s and its employees’ future annual contributions to the PSPRS, cannot be determined at this time.

For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05% of the members’ annual covered payroll. Under PSPRS for the fiscal year ending June 30, 2016 and each subsequent fiscal year, the employee contribution rate is set by statute and calculated at the lesser of 11.65% or 33.3% of the sum of the member’s contribution rate from the preceding fiscal year, plus the aggregate computed employer contribution rate subject to a minimum employee contribution rate of 7.65%. The employer contribution rates are based upon an actuarial valuation.

It should be noted that the PSPRS Board of Trustees (which also has oversight over The Corrections Officers Retirement Plan as described below) has adopted a three year optional contribution rate phase-in associated with the

Arizona Supreme Court decision which determined that the reduction in the permanent benefit increase enacted by the State Legislature in 2011 (Senate Bill 1609) is unconstitutional. On November 10, 2016, the Arizona Supreme Court upheld another lower court ruling that provisions of Senate Bill 1609 which increased employee contribution rates and curtailed certain benefit increases were also unconstitutional. The decision means that many current employees will receive refunds, while some retirees will receive retroactive benefit increases. The refunds and increased benefits will require increased payments from the City, but the City is unable to predict any resulting contribution rate increases. Certain other aspects of Senate Bill 1609 may continue to be challenged in other pending lawsuits. If the ultimate outcome overturns additional portions of the legislation, there will be further adverse impacts on the funded ratio and the actuarially determined contribution rates.

On February 16, 2016, the Governor of Arizona signed into law pension overhaul legislation which makes several changes to the PSPRS. The changes, which only affect new hires that start after July 1, 2017 (“Tier 3” members), requires new public employees to serve until the age of 55 before being eligible for full pension benefits. The new legislation also caps pension benefits for new hires and splits the cost of pensions for new hires 50/50 between employers and new employees; offers new hires the option of a 100% defined contribution plan and ties cost-of-living adjustments for retirees to the regional Consumer Price Index with a cap of 2% (the “COLA Provision”). As approved by the voters at an election held on May 17, 2016 to amend the State Constitution, the COLA Provision will also apply to current retirees and members of the PSPRS. The contribution rate mechanism for members hired before July 1, 2017 (“Tier 1” and “Tier 2” members) does not change.

In 2016, the Arizona Supreme Court determined that 2011 legislative reforms that increased the Elected Officials' Retirement Plan (“EORP”) employee contribution rates and created new conditions to pension benefit increases were unconstitutional. In response to the ruling, EORP employers must return excess contributions to impacted employees; who, under the contested law, had their employee retirement contribution rate increased above the rate that existed prior to the 2011 legislation. A similar suit was then pending questioning similar employee contribution increases to, and possibly decreased benefits from, the PSPRS. Based on the EORP decision, the PSPRS suit was terminated and the parties agreed to abide by the EORP decision. The City's employees are covered by PSPRS. This requires the City to re-pay the higher employee contributions required by the 2011 legislation. Likewise, those who retired after the effective date of the 2011 legislation may be owed retroactive benefit increases calculated under the previous permanent benefit increase (PBI) formula. The City has budgeted for payment of the \$30,212.86 owed to its current and former employees. The retirement system will credit the City's repayment contributions over the next few years to reimburse the City for such repayments and interest at 5% per annum on such amount prior to the EORP decision. The City is awaiting an expected ruling as to the interest rate on the unreimbursed amount that must be paid for the period after the EORP decision until full employee reimbursement.

The table below shows the actuarially determined annual employer contribution rates, funded status and total audited contribution amounts for the plan. It should be noted that the City has elected to contribute at the full actuarially determined rate. Additionally, although the contribution rate for employer and employee is the same for Tier 3 hires, the Tier 3 City contribution rate below also includes a portion of the unfunded liability associated with Tier 1 and Tier 2.

<u>Fiscal Year</u> <u>Ended</u>	Police					
	Tier 1 and 2 City	Tier 3 City	Tier 3 Employee	Pension	Health	Total
	<u>Contribution</u> <u>Rate*</u>	<u>Contribution</u> <u>Rate*</u>	<u>Contribution</u> <u>Rate*</u>	<u>Funded Status</u>	<u>Funded Status</u>	<u>Contribution</u> <u>Amount*</u>
June 30, 2018	33.10%	24.83%	7.31%	unavailable	unavailable	unavailable
June 30, 2017	25.21	N/A	N/A	unavailable	unavailable	unavailable
June 30, 2016	25.18	N/A	N/A	66.9%	127.8%	\$358,159
June 30, 2015	20.66	N/A	N/A	73.3	127.7	301,851
June 30, 2014	19.16	N/A	N/A	70.2	111.6	444,080

* Sum of the Pension and Health insurance premium benefit contribution rates or contribution amounts.

Fire

<u>Fiscal Year</u> <u>Ended</u>	Tier 1 and 2 City Contribution <u>Rate*</u>	Tier 3 City Contribution <u>Rate*</u>	Tier 3 Employee Contribution <u>Rate*</u>	Pension <u>Funded Status</u>	Health <u>Funded Status</u>	Total Contribution <u>Amount*</u>
June 30, 2018	20.04%	12.03%	7.31%	unavailable	unavailable	unavailable
June 30, 2017	13.48	N/A	N/A	unavailable	unavailable	unavailable
June 30, 2016	13.20	N/A	N/A	82.3%	119.0%	\$210,645
June 30, 2015	13.18	N/A	N/A	95.1	109.0	204,441
June 30, 2014	13.19	N/A	N/A	96.9	98.2	323,117

* Sum of the Pension and Health insurance premium benefit contribution rates or contribution amounts.

Other Post-Employment Retirement Benefits

Pursuant to Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* (“GASB 45”), the City is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits (“OPEB”), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees and, to the extent such costs are not pre-funded, requires the reporting of such costs as a financial statement liability.

The City does not offer any OPEB. The City’s employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the State. Such individuals may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the State. The benefits are available to all retired participants in the State’s health care program. The City does not make payments for OPEB costs for such retirees.

Governmental Accounting Standards (“GASB”):

The Governmental Accounting Standards Board adopted Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their “proportionate share” of the plan’s net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer’s pension expense component include its proportionate share of the system’s pension expense, the net effect of annual changes in the employer’s proportionate share and the annual differences between the employer’s actual contributions and its proportionate share. Both the City and each covered employee contribute to the ASRS. As of June 30, 2016, the City reported a liability of \$9,932,851 for its proportionate share of the net pension liability under ASRS. The pension liability was measured as of June 30, 2015. See Note 15 in APPENDIX C – “CITY OF SAN LUIS – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2016” for further discussion of the City and its pension liability including the net pension liability associated with PSPRS and CORP.

New Reporting Requirements - Governmental Accounting Standards Board (“GASB”) Statement No. 67, *Financial Reporting for Pension Plans*, An Amendment of GASB Statement No. 25, is designed to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans* and *Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

GENERAL FUND

Below are the City general fund revenues, expenditures and changes in fund balance for the audited fiscal years 2011/12 through and including 2015/16 and unaudited figures for fiscal year 2016/17. **THIS INFORMATION IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS OF THE FINANCIAL AFFAIRS OF THE CITY.**

General Fund City of San Luis, Arizona

	Est. Actual			Audited		
	2016/17 (a)	2015/16	2014/15	2013/14	2012/13	2011/12
FUND BALANCE AT BEGINNING OF YEAR	\$ 9,442,248	\$ 10,155,437	\$ 9,224,512	\$ 7,345,372	\$ 5,917,080	\$ 6,520,388
REVENUES						
Taxes	\$ 8,009,828	\$ 7,884,709	\$ 7,885,491	\$ 7,108,962	\$ 6,965,446	\$ 6,566,515
Licenses and permits	733,765	528,034	483,218	431,909	389,295	349,777
Intergovernmental	8,005,601	7,123,544	6,936,337	7,331,517	5,725,447	4,997,430
Charges for services	89,663	76,215	64,625	61,503	54,073	44,513
Fines and forfeitures	294,741	350,648	381,256	430,045	495,188	331,964
Investment earnings	41,698	17,572	8,235	9,772	19,969	8,204
Rents (b)	217,690	336,619	758,835	809,166	671,519	656,722
Other	130,236	334,364	409,998	264,008	309,649	140,909
TOTAL REVENUES	\$ 17,523,222	\$ 16,651,705	\$ 16,927,995	\$ 16,446,882	\$ 14,630,586	\$ 13,096,034
ADJUSTMENTS						
Capital leases			\$ 300,939			
Other financing sources				\$ 37,693		
Transfers in						
Transfers out	(1,454,335)	(1,745,121)	(1,344,202)	(1,696,559)	(1,147,727)	(2,235,770)
TOTAL FUNDS AVAILABLE FOR EXPENDITURES	\$ 25,511,135	\$ 25,062,021	\$ 25,109,244	\$ 22,133,388	\$ 19,399,939	\$ 17,380,652
EXPENDITURES						
Current:						
General government	\$ 5,242,195	\$ 4,800,397	\$ 4,291,647	\$ 4,272,356	\$ 4,022,343	\$ 3,910,599
Public safety	6,560,610	6,891,825	6,181,192	5,523,250	5,322,260	5,086,692
Health and welfare	208,171	210,378	205,049	149,367	141,225	165,387
Community development	682,025	659,136	666,658	660,654	541,709	560,865
Culture and recreation	2,231,838	2,099,843	1,863,915	1,721,786	1,540,417	1,391,961
Debt service:						
Interest and fiscal charges	7,422	10,021	10,639	542	7,242	15,744
Principal	82,168	87,685	74,251	25,349	145,935	182,574
Capital outlay	209,297	860,488	1,660,456	555,572	333,436	149,750
TOTAL EXPENDITURES	\$ 15,223,726	\$ 15,619,773	\$ 14,953,807	\$ 12,908,876	\$ 12,054,567	\$ 11,463,572
FUND BALANCE AT END OF YEAR	\$ 10,287,409	\$ 9,442,248	\$ 10,155,437	\$ 9,224,512	\$ 7,345,372	\$ 5,917,080

(a) Figures for fiscal year 2016/17 are unaudited amounts, subject to change upon audit.

(b) The City receives a per capita occupancy fee of \$4.00 per person per night in the San Luis Regional Detention Center, which is shown as "rents" in the General Fund.

CITY OF SAN LUIS, ARIZONA

**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following audited annual financial statements are for the fiscal year ended June 30, 2016. These are the most recent financial statements available for the City. These financial statements are not current and may not represent the current financial condition of the City.

Such audited financial statements are the most recent available for the City, are not current and, therefore, must be considered with an abundance of caution. The City has not requested the consent of Heinfeld, Meech & Co., P.C., a certified public accounting firm to include its report herein, and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.

APPENDIX D

SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere herein, the following terms shall, for all purposes of the Trust Agreement and the Purchase Agreement have the following meanings:

“Annual Debt Service Requirement” means for any Fiscal Year the amount to be paid in such year with respect to the Loan Repayment Agreement (2009), the Purchase Agreement and the Parity Lien Obligations for payment of principal and interest requirements.

“City Representative” means the City Manager, the City Finance Director or any other person authorized by the City Manager or the Mayor and Common Council to act on behalf of the City with respect to the Trust Agreement.

“Debt Service Coverage” means the amount of the revenues from the Excise Taxes and the State Shared Revenues for the most recently completed Fiscal Year divided by the Maximum Annual Debt Service.

“Defeasance Obligations” are those obligations described in the Trust Agreement by such term.

“Depository Trustee” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or authority.

“Event of Default” means an event of default under the Purchase Agreement as described below under the subheading “THE PURCHASE AGREEMENT – Default; Remedies Upon Default.”

“Maximum Annual Debt Service” means, at the time of computation, the greatest Annual Debt Service Requirement for the then-current or any succeeding Fiscal Year.

“First Purchase Agreement” means the First Excise Tax Purchase Agreement, dated as of November 1, 2014, by and between the City and U.S. Bank National Association.

“Outstanding” refers to Obligations issued in accordance with the Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a mandatory prepayment installment with respect to principal represented thereby; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted by the Trust Agreement and the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of and premium, if any, and interest represented by such Obligations, provided, however, that if principal represented by any such Obligations is to be prepaid, the City shall have taken all action necessary to prepay such Obligations and notice of such prepayment shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to give such notices shall have been given to the Trustee.

“Owner” or any similar term, when used with respect to an Obligation means the person in whose name such Obligation is registered.

“Parity Lien Obligation” means any additional obligations which may hereafter be issued or incurred by the City (or any financing conduit acting on behalf of the City) having a lien upon and payable from the revenues from the Excise Taxes and the State Shared Revenues on a parity with, and in compliance with the terms of, the First Purchase Agreement and the Purchase Agreement.

"Payment Fund" means the fund of that name established pursuant to the Trust Agreement.

THE TRUST AGREEMENT

The following, in addition to the information under the headings "THE OBLIGATIONS" and "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS," is a summary of certain provisions of the Trust Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Payment Fund. The Trustee will establish the Payment Fund. The moneys in the Payment Fund will be applied by the Trustee solely to pay principal and interest represented by the Obligations.

Investments Authorized; Allocation of Earnings. Upon written order of the City Representative, moneys held by the Trustee will be invested and re-invested in certain investments permitted by the Trust Agreement having the highest yield reasonably obtainable. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments permitted by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Any income, profit or loss on such investments will be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds will be deposited in the fund from which such deposit was made, except as otherwise provided in the Trust Agreement. At the direction of the City Representative, any such income, profit or interest will be applied if necessary to pay any rebate due with respect to the Obligation pursuant to the Code.

Appointment of the Trustee. The City will maintain as the Trustee a bank or trust company with a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority, then the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Liability of the Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute the Trust Agreement, the recitals of facts, covenants and agreements in the Trust Agreement, in the Purchase Agreement and in the Obligations will be taken as statements, covenants and agreements of the City, and the Trustee will assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Trust Agreement, the Purchase Agreement or of the Obligations or will incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Obligations assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Trust Agreement. After the occurrence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent indenture trustee would exercise under the circumstances in the conduct of its own affairs.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company is eligible as described in the Trust Agreement will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Trust Agreement to the contrary notwithstanding.

Protection and Rights of the Trustee. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any document which it in good faith believes to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of

the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such document, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be bound to recognize any person as an Owner of any Obligation or to take any action at the request thereof unless such Obligation will be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation will be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed) will be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate will be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee will represent the Owners of the majority in principal amount of the Obligations then Outstanding.

The Trustee will not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

No provision in the Trust Agreement will require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will not be required to take notice or be deemed to have notice of an Event of Default, except for nonpayment of amounts due under the Trust Agreement or the Purchase Agreement, unless the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

The City will from time to time, as agreed upon between the City and the Trustee, pay to the Trustee reasonable compensation for its services, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties.

Removal and Resignation of the Trustee. The Trustee may be removed by the City (if not in default) or by the Owners of a majority in aggregate principal amount of the Obligations Outstanding, at any time upon thirty (30) days' prior written notice.

The Trustee at any time may resign by giving written notice to the City. Such resignation will become effective upon the appointment of a successor Trustee by the City.

Amendments Permitted. The Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement which will become effective upon the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of certain disqualified Obligations. No such modification or amendment will (1) extend or have the effect of extending the final payment of principal represented by any Obligation or reducing the interest represented thereby or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement, without the consent of any such Owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trustee (for its own behalf) or the City, (2) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (3) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (4) to provide for the appointment of a successor trustee pursuant to the terms of the Trust Agreement, (5) to preserve the exclusion of interest represented by the Tax-Exempt Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or other obligations the interest on which is likewise exempt from federal and State income taxes, (6) to cure, correct or supplement any ambiguous or defective provision in the Trust Agreement or the Purchase Agreement, (7) with respect to rating matters, or (8) in regard to questions arising under the Trust Agreement or under the Purchase Agreement, as the parties to the Trust Agreement or the Purchase Agreement may deem necessary or desirable and which will not adversely affect the interests of the Owners of the Obligations. Any such supplemental or amending agreement will become effective upon execution and delivery by the parties to the Trust Agreement or the Purchase Agreement.

Procedure for Amendment With Written Consent of Obligation Owners. A copy of the proposed supplemental or amending agreement, together with a consent request, must be mailed to each Owner of an Obligation, but failure to mail copies of such supplemental or amending agreement and request does not affect the validity of the supplemental or amending agreement when assented to by a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations then disqualified). The supplemental or amending agreement will not become effective until the required Owners have consented and the Trustee has mailed notice to the Owners of the Obligations stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will become effective (but failure to mail copies of said notice shall not affect the validity of such supplemental or amending agreement or consents thereto).

Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided therein.

No Liability of the City for the Trustee Performance. The City will have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement

Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding and receiving indemnity satisfactory to it must, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything in the Trust Agreement or in the Purchase Agreement to the contrary, there will be no right under any circumstances to accelerate the payment dates of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of the Trust Agreement or the Purchase Agreement shall be applied by the Trustee in the order following:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Obligation Owners in declaring such Event of Default, including reasonable compensation to the Trustee's or the Owners' agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the

Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, must, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained in the Trust Agreement.

Power of the Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance or disposal of such action; provided, however, that the Trustee will not discontinue or otherwise dispose of any litigation, without the consent of the Owners of a majority in aggregate principal amount of the Obligations Outstanding.

Limitation on Obligation Owners' Right to Sue. The Owners will not have the right to institute any action, for any remedy, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity; and (d) the Trustee shall have not complied with such request for a period of sixty (60) days.

No one or more Owners of Obligations will have any right in any manner whatever by their action to enforce any right under the Trust Agreement, except in the manner therein provided, and all proceedings with respect to an Event of Default will be pursued in the manner therein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner.

Defeasance. If and when any Outstanding Obligation shall be paid and discharged in any one or more of the following ways:

- (a) by paying or causing to be paid the principal and interest represented by such Obligations Outstanding, as and when the same become due and payable;
- (b) by depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest represented by such Obligations Outstanding; or
- (c) by depositing with a Depository Trustee, in trust for such purpose, Defeasance Obligations which are non-callable in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest represented by such Obligations at their respective payment or prepayment dates;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to all Outstanding Obligations will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to paragraphs (b) or (c) above and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations will continue to represent direct and proportionate interests of the Owners thereof in such funds.

If any Obligation or portion thereof will not be payable within sixty (60) days of the deposit referred to in paragraphs (b) or (c) above, the Trustee shall give notice of such deposit by first class mail to the Owners.

THE PURCHASE AGREEMENT

The following, in addition to the information under the headings "INTRODUCTORY STATEMENT" and "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS," is a summary of certain provisions of the Purchase Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Purchase/Sale. Pursuant to the Purchase Agreement, the City will sell and convey any interest it has in the Prior Project to the Trustee, and the Trustee, in turn, will sell and convey to the City, and the City will buy and accept from the Trustee, any interest the Trustee has in the Prior Project.

Payments. The obligation of the City to make the Payments will be limited to amounts from Excise Taxes and State Shared Revenues.

The obligations of the City to make the Payments from the sources described and to perform and observe the other agreements contained in the Purchase Agreement will be absolute and unconditional and will not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach of the Trustee of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the City (i) will not suspend or discontinue the Payments, (ii) will perform and observe all other agreements contained in the Purchase Agreement, and (iii) will not terminate the Purchase Agreement for any cause.

Providing for Payment. The City may provide for the payment of any of the Payments in any one or more of the following ways:

- (a) by paying such Payment as and when the same becomes due and payable at its scheduled due date or on a date on which it can be prepaid;
- (b) by depositing with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid; or
- (c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are non-callable, in such amount as shall be certified by a national firm of certified public accountants acceptable to the Trustee and the City as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Trustee and available for such Payment, to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid.

Upon any partial prepayment of a Payment, each installment of interest which shall thereafter be payable as a part of the subsequent Payments will be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial prepayment, so that the interest remaining payable as a part of the subsequent Payments will be sufficient to pay the interest on such outstanding Obligations when due.

Default; Remedies Upon Default.

(i) Upon (A) the nonpayment of the whole or any part of certain amounts due pursuant to the Purchase Agreement at the time when the same are to be paid as provided in the Purchase Agreement or the Trust Agreement, (B) the violation by the City of any other covenant or provision of the Purchase Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to the Loan Repayment Agreement (2009) or the

other of the Parity Lien Obligations, or (D) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of such amounts as required under the Purchase Agreement or the Trust Agreement on the due date, or the nonpayment of principal and interest due with respect to the First Purchase Agreement or the other of the Parity Lien Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or the Purchase Agreement not cured within sixty (60) days after notice in writing from the Trustee specifying such default; and (C) in the case of any default under the First Purchase Agreement or the other of the Parity Lien Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement and the Continuing Disclosure Undertaking, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the City under the Trust Agreement or the Purchase Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under the Trust Agreement or the Purchase Agreement and with respect to the revenues from the Excise Taxes and, the State-Shared Revenues, without notice and without giving any bond or surety to the City or anyone claiming under the City, have a receiver appointed of the amounts of the revenues from the Excise Taxes and, the State-Shared Revenues which are pledged to the payment of amounts due thereunder, with such powers as the court making such appointment shall confer (and the City will irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

The obligations of the City under the Purchase Agreement, including, without limitation, its obligation to pay the Payments, will survive any action brought, and the City will continue to pay the Payments and perform all other obligations provided in the Purchase Agreement; provided, however, that the City will be credited with any amount received by the Trustee pursuant to actions brought under the provisions of the Purchase Agreement summarized under this subheading.

FORM OF APPROVING LEGAL OPINION

DRAFT

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Closing Date]

Re: Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A and Taxable Series 2017B Representing Proportionate Interests of the Owners Thereof in Purchase Price Payments to be Made by City of San Luis, Arizona, to _____, as Trustee

We have examined the transcript of proceedings (the "Transcript") relating to the execution and delivery by _____ (the "Trustee") of the Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A (the "Tax-Exempt Obligations") and the Pledged Excise Tax Revenue Refunding Obligations, Taxable Series 2017B (the "Taxable Obligations") and, together with the Tax-Exempt Obligations, the "Obligations"), pursuant to a Second Excise Tax Trust Agreement, dated as of _____ 1, 2017* (the "Trust Agreement"), between the Trustee and City of San Luis, Arizona (the "City"). Each of the Obligations is an undivided, participating, proportionate interest in certain payments to be made by the City pursuant to a Second Excise Tax Purchase Agreement, dated as of _____ 1, 2017* (the "Purchase Agreement"), between the Trustee as seller and the City as buyer to refinance certain projects for the City. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon the opinions of the City Attorney delivered even date herewith as to the matters provided therein.

Based upon such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Obligations, the Trust Agreement and the Purchase Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof and the rights thereunder are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally; except to the extent that the enforceability thereof and the rights thereunder may be limited by the application of general principles of equity and,

* Subject to change.

as to the Trust Agreement, except to the extent that the enforceability of the indemnification provisions thereof may be affected by applicable securities laws.

2. The obligations of the City pursuant to the Purchase Agreement with respect to payment of principal and interest with respect to the Obligations constitute a valid and binding special obligation of the City payable solely from, and secured solely by, the revenues and other moneys pledged and assigned pursuant to the Trust Agreement to secure such payments. Those revenues and other moneys include payments required to be made by the City pursuant to the Purchase Agreement, and the obligation of the City to make those payments is secured by a limited pledge of revenues from the "Excise Taxes" and the "State Shared Revenues" as described in, and provided by, the Purchase Agreement. Such payments are not secured by an obligation or pledge of any moneys raised by taxation other than the specified taxes; the Obligations do not represent or constitute a debt or pledge of the general credit of the City and the Purchase Agreement, including the obligation of the City to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. (a) Subject to the assumption stated in the last sentence of this paragraph, the portion of each payment made by the City pursuant to the Purchase Agreement, denominated and comprising interest with respect to the Tax-Exempt Obligations and received by the beneficial owners of the Tax-Exempt Obligations (the "Interest Portion"), is excludable from the gross income of the beneficial owners thereof for federal income tax purposes. Furthermore, the Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however the Interest Portion is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. (We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the interest on, or ownership or disposition of, the Obligations.) The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the Tax-Exempt Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Tax-Exempt Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the receipt or accrual of the interest on, or ownership or disposition of, the Obligations.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

DRAFT

CITY OF SAN LUIS, ARIZONA

\$6,985,000*
 PLEDGED EXCISE TAX REVENUE
 REFUNDING OBLIGATIONS,
 TAX-EXEMPT SERIES 2017A

\$6,920,000*
 PLEDGED EXCISE TAX REVENUE
 REFUNDING OBLIGATIONS,
 TAXABLE SERIES 2017B

[Closing Date]
 (CUSIP Base No.: 79854W)

 CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "*Undertaking*") is executed and delivered by the City of San Luis, Arizona (the "City"), in connection with the execution and delivery of \$13,905,000* aggregate principal amount of Pledged Excise Tax Revenue Refunding Obligations, Tax-Exempt Series 2017A and Taxable Series 2017B, Representing Proportionate Interests of the Owners Thereof in Purchase Price Payments to be Made by the City to _____, as trustee (together, the "*Obligations*"). The Obligations are being executed and delivered pursuant to a Second Excise Tax Trust Agreement, dated as of _____ 1, 2017* (the "*Trust Agreement*"), by and between the City and _____, as trustee (the "*Trustee*"). The City covenants and agrees as follows:

1. *Definitions.* In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

Annual Financial Information means the financial information and operating data set forth in Exhibit I.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent's successors and assigns.

EMMA means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

Exchange Act means the Securities Exchange Act of 1934, as amended.

* *Subject to change.*

Final Official Statement means the Final Official Statement relating to the Obligations, dated _____, 2017.

GAAP means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

Listed Event means the occurrence of events set forth in Exhibit II.

Listed Events Disclosure means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

Purchase Agreement means the Second Excise Tax Purchase Agreement, dated as of _____ 1, 2017, by and between the City and the Trustee, in its separate capacity as "Seller."

Rule means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

State means the State of Arizona.

2. *Purpose of this Undertaking.* This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

3. *CUSIP Number/Final Official Statement.* The CUSIP Numbers of the Obligations are as follows:

<u>CUSIP No.</u>	<u>Maturity Date</u>
------------------	----------------------

4. *Annual Financial Information Disclosure.* Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. *Listed Events Disclosure.* Subject to Section 8 of this Undertaking, the City shall disseminate in a timely manner, but in not more than ten (10) business days, its Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. *Consequences of Failure of the City to Provide Information.* The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Trust Agreement, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. *Amendments; Waiver.* Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Trust Agreement at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying GAAP to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. *Termination of Undertaking.* This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Trust Agreement.

9. *Dissemination Agent.* The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. *Beneficiaries.* This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. *Recordkeeping.* The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. *Assignment.* The City shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

14. *Governing Law.* This Undertaking shall be governed by the laws of the State.

Dated: [Closing Date]

CITY OF SAN LUIS, ARIZONA

By.....
Mayor

ATTEST:

.....
City Clerk

ACKNOWLEDGED FOR PURPOSES OF
SECTION 11(c) OF THE PURCHASE
AGREEMENT BY U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

By

Title:

ATTACHMENTS:

- Exhibit I - Annual Financial Information and Timing and Audited Financial Statements
- Exhibit II - Events for Which Listed Events Disclosure Is Required

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED
FINANCIAL STATEMENTS

“Annual Financial Information” means (presented, either separately or in the audited financial statements) financial information and operating data of the type contained in the Final Official Statement in TABLE 3 - “TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS BY INDUSTRY CLASSIFICATION” and TABLE 5 - “HISTORICAL EXCISE TAX REVENUES AND STATE SHARED REVENUES COLLECTIONS” (actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2018. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP. Audited Financial Statements will be provided through EMMA within 30 days after availability to the City.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations, in each case, with respect to the tax status of the security, or other Listed Events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or conditional trustee or the change of name of a trustee, if material.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each payment of each series of the Obligations, each in the aggregate principal amount of such payment, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments

to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to a remarketing agent, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to a remarketing agent. The requirement for physical delivery of Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to a remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the Underwriter or their agents and counsel take responsibility for the accuracy thereof.

WRITTEN POLICIES AND PROCEDURES FOR TAX-ADVANTAGED OBLIGATIONS

The City of San Luis, Arizona (the "Issuer"), has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, "tax-advantaged obligations") that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the "Code").

The Issuer has established the policies and procedures contained herein (the "Procedures") as of August 30, 2017, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the "Tax Certificate") executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

A. GENERAL MATTERS.

1. Responsible Officer. The Finance Director of the Issuer will have overall responsibility for ensuring that the ongoing requirements described in the Procedures are met with respect to tax-advantaged obligations (the "Responsible Officer").
2. Establishment of Procedures. The Procedures will be included with other written procedures of the Issuer.
3. Identify Additional Responsible Employees. The Responsible Officer shall identify any additional persons who will be responsible for each section of the Procedures, notify the current holder of that office of the responsibilities, and provide that person a copy of the Procedures. (For each section of the Procedures, this may be the Responsible Officer or another person who is assigned the particular responsibility.)
 - a. Upon employee or officer transitions, new personnel should be advised of responsibilities under the Procedures and ensure they understand the importance of the Procedures.
 - b. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all Procedures have been appropriately assigned.
4. Training Required. The Responsible Officer and other responsible persons shall receive appropriate training that includes the review of and familiarity with the contents of the Procedures, review of the requirements contained in the Code applicable to each tax-advantaged obligation, identification of all tax-advantaged

obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.

5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the “remedial action” regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service (“IRS”) (or successor guidance). Such periodic review shall occur at least annually.
6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

B. IRS INFORMATION RETURN FILING. The Responsible Officer will confirm that bond counsel has filed the applicable information reports (such as Form 8038-G) for such issue with the IRS on a timely basis, and maintain copies of such form including evidence of timely filing as part of the transcript of the issue. The Responsible Officer shall file the IRS Form 8038-T relating to the payment of rebate or yield reduction payments in a timely manner as discussed in Section G.12. below. The Responsible Officer shall also monitor the extent to which the Issuer is eligible to receive a refund of prior rebate payments and provide for the timely filing for such refunds using an IRS Form 8038-R.

C. USE OF PROCEEDS. The Responsible Officer or other responsible person shall:

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.
2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.
3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how proceeds were spent; review requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.

5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than “direct tracing” (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of “direct tracing” is often made to reduce the private business use of bond proceeds that would otherwise result from “direct tracing” of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier).* Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

D. MONITORING PRIVATE BUSINESS USE. The Responsible Officer or other responsible person shall:

1. Identify Financed Facilities. Identify or “map” which outstanding issues financed which facilities and in what amounts.
2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as “private persons”) with respect to the financed facilities which could result in private business use of the facilities:
 - a. Sales of financed facilities;
 - b. Leases of financed facilities;
 - c. Management or service contracts relating to financed facilities;
 - d. Research contracts under which a private person sponsors research in financed facilities; and
 - e. Any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.
3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond

counsel to review such amendment or agreement to determine whether it results in private business use.

4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
 5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of “unrelated or disproportionate” private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
 6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.
 7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.
- E. LOAN OF BOND PROCEEDS.** Consult bond counsel if a loan of proceeds of tax-advantaged obligations is contemplated. If proceeds of tax-advantaged obligations are permitted under the Code to be loaned to other entities and are in fact so loaned, require that the entities receiving a loan of proceeds institute policies and procedures similar to the Procedures to ensure that the proceeds of the loan and the facilities financed with proceeds of the loan comply with the limitations provided in the Code. Require the recipients of such loans to annually report to the Issuer ongoing compliance with the Procedures and the requirements of the Code.
- F. ARBITRAGE AND REBATE COMPLIANCE.** The Responsible Officer or other responsible person shall:
1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.
 2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.

3. Temporary Periods. Review the Tax Certificate to determine the “temporary periods” for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.
4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.
5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid “hedge bond” status.
6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0 percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.
7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.
10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a “bona fide debt service fund,” i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a

debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.

11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.

12. Rebate and Yield Reduction Payment Compliance. Review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described below, investment earnings on proceeds at a yield in excess of the yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.
 - a. Ensure that rebate and yield reduction payment calculations will be timely performed and payment of such amounts, if any, will be timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue, then in succeeding installments every five years. The final rebate payment for an issue is due 60 days after retirement of the last obligation of the issue. The Issuer should hire a rebate consultant if necessary.
 - b. Review the rebate section of the Tax Certificate to determine whether the "small issuer" rebate exception applies to the issue.
 - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Tax Certificate) may apply to the tax-advantaged obligations, ensure that the spending of proceeds is monitored prior to semiannual spending dates for the applicable exception.
 - d. Make rebate and yield reduction payments and file Form 8038-T in a timely manner.
 - e. Even after all other proceeds of a given issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants contained in the Tax Certificate).

13. Maintenance and Retention of Arbitrage and Rebate Records. Maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any

other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

- G. RECORD RETENTION.** The Responsible Officer or other responsible person shall ensure that for each issue of obligations, the transcript and all records and documents described in these Procedures will be maintained while any of the obligations are outstanding and during the three-year period following the final maturity or redemption of that issue, or if the obligations are refunded (or re-refunded), while any of the refunding obligations are outstanding and during the three-year period following the final maturity or redemption of the refunding obligations.

**ATTACHMENT I TO
WRITTEN PROCEDURES**

REMEDIAL ACTION PROCEDURES

Capitalized terms used herein but not defined have the meaning assigned thereto in Section 5 below and in the Written Policies and Procedures for Tax-Advantaged Obligations to which these Remedial Action Procedures are attached. This attachment describes written procedures that may be required to be taken by, or on behalf of, an issuer of Obligations.

1. **Background.** The maintenance of the tax status of the Obligations (*e.g.*, as tax-exempt obligations under federal tax law) depends on the compliance with the requirements set forth in the Internal Revenue Code of 1986, as amended (the "Code"). *The purpose of this attachment is to set forth written procedures to be used in the event that any deliberate actions are taken that are not in compliance with the tax requirements of the Code (each, a "Deliberate Action") with respect to the Obligations, the proceeds thereof, or the property financed or refinanced by the Obligations (the "Financed Property").*

2. **Consultation with bond counsel.** If a Deliberate Action is taken with respect to the Obligations and the Financed Property subsequent to the issuance or execution and delivery of the Obligations, then the Issuer must consult with Greenberg Traurig, LLP or other nationally recognized bond counsel ("bond counsel") regarding permissible Remedial Actions that may be taken to remediate the effect of any such Deliberate Action upon the federal tax status of the Obligations. Note that remedial actions or corrective actions other than those described in this attachment may be available with respect to the Obligations and the Financed Property, including remedial actions or corrective actions that may be permitted by the Commissioner through the voluntary closing agreement programs (VCAP) provided by the Internal Revenue Service from time to time.

3. **Conditions to Availability of Remedial Actions.** None of the Remedial Actions described in this attachment are available to remediate the effect of any Deliberate Action with respect to the Obligations and the Financed Property unless the following conditions have been satisfied and unless bond counsel advises otherwise:

(a) The issuer of the Obligations reasonably expected on the date the Obligations were originally issued or executed and delivered that the Obligations would meet neither the Private Business Tests nor the Private Loan Financing Test of Section 141 of the Code and the Treasury Regulations thereunder for the entire term of the Obligations (such expectations may be based on the representations and expectations of the applicable conduit borrower, if there is one);

(b) The weighted average maturity of the Obligations did not, as of such date, exceed 120 percent of the Average Economic Life of the Financed Property;

(c) Unless otherwise excepted under the Treasury Regulations, the Issuer delivers a certificate, instrument, or other written records satisfactory to bond counsel demonstrating that the terms of the arrangement pursuant to which the Deliberate Action

is taken is *bona fide* and arm's-length, and that the non-exempt Person using either the Financed Property or the proceeds of the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

(d) Any disposition must be made at fair market value and any Disposition Proceeds actually or constructively received by the Issuer as a result of the Deliberate Action must be treated as gross proceeds of the Obligations and may not be invested in obligations bearing a yield in excess of the yield on the Obligations subsequent to the date of the Deliberate Action; and

(e) Proceeds of the Obligations affected by the Remedial Action must have been allocated to expenditures for the Financed Property or other allowable governmental purposes before the date on which the Deliberate Action occurs (except to the extent that redemption or defeasance, if permitted, is undertaken, as further described in Section 4(A) below).

4. **Types of Remedial Action.** Subject to the conditions described above, and only if the Issuer obtains an opinion of bond counsel prior to taking any of the actions below to the effect that such actions will not affect the federal tax status of the Obligations, the following types of Remedial Actions may be available to remediate a Deliberate Action subsequent to the issuance of the Obligations:

(a) Redemption or Defeasance of Obligations.

(i) If the Deliberate Action causing either the Private Business Use Test or the Private Loan Financing Test to be satisfied consists of a fair market value disposition of any portion of the Financed Property exclusively for cash, then the Issuer may allocate the Disposition Proceeds to the redemption of Nonqualified Obligations pro rata across all of the then-outstanding maturities of the Obligations at the earliest call date of such maturities of the Obligations after the taking of the Deliberate Action. If any of the maturities of the Obligations outstanding at the time of the taking of the Deliberate Action are not callable within 90 days of the date of the Deliberate Action, the Issuer may (subject generally to the limitations described in (iii) below) allocate the Disposition Proceeds to the establishment of a Defeasance Escrow for any such maturities of the Obligations within 90 days of the taking of such Deliberate Action.

(ii) If the Deliberate Action consists of a fair market value disposition of any portion of the Financed Property for other than exclusively cash, then the Issuer may use any funds (other than proceeds of the Obligations or proceeds of any obligation the interest on which is excludable from the gross income of the registered owners thereof for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance Escrow within 90 days of the date of the Deliberate Action for all of the

maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

(iii) If a Defeasance Escrow is established for any maturities of Nonqualified Obligations that are not callable within 90 days of the date of the Deliberate Action, written notice must be provided to the Commissioner of Internal Revenue Service at the times and places as may be specified by applicable regulations, rulings, or other guidance issued by the Department of the Treasury or the Internal Revenue Service. Note that the ability to create a Defeasance Escrow applies only if the Obligations to be defeased and redeemed all mature or are callable within ten and one-half (10.5) years of the date the Obligations are originally issued or executed and delivered. If the Obligations are not callable within ten and one-half years, and none of the other remedial actions described below are applicable, the remainder of this attachment is for general information only, and bond counsel must be contacted to discuss other available options.

(b) Alternative Use of Disposition Proceeds. Use of any Disposition Proceeds in accordance with the following requirements may be treated as a Remedial Action with respect to the Obligations:

(i) the Deliberate Action consists of a disposition of all or any portion of the Financed Property for not less than the fair market value thereof for cash;

(ii) the Issuer reasonably expects to expend the Disposition Proceeds resulting from the Deliberate Action within two years of the date of the Deliberate Action;

(iii) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;

(iv) no action is taken after the date of the Deliberate Action to cause the Private Activity Bond Tests to be satisfied with respect to the Obligations, the Financed Property, or the Disposition Proceeds (other than any such use that may be permitted in accordance with the Treasury Regulations);

(v) Disposition Proceeds used in a manner that satisfies the Private Activity Bond Tests or that are not expended within two years of the date of the Deliberate Action must be used to redeem or defease Nonqualified Obligations in accordance with the requirements set forth in Section 4(a) hereof; and

(c) Alternative Use of Financed Property. The Issuer may be considered to have taken sufficient Remedial Actions to cause the Obligations to continue their applicable treatment under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Financed Property:

(i) the portion of the Financed Property subject to the Deliberate Action is used for a purpose that would be permitted for qualified tax-exempt obligations;

(ii) the disposition of the portion of the Financed Property subject to the Deliberate Action is not financed by a person acquiring the Financed Property with proceeds of any obligation the interest on which is exempt from the gross income of the registered owners thereof under Section 103 of the Code for purposes of federal income taxation or an obligation described in Sections 54A-54F, 54AA, or 6431 of the Code; and

(iii) any Disposition Proceeds other than those arising from an agreement to provide services (including Disposition Proceeds arising from an installment sale) resulting from the Deliberate Action are used to pay the debt service on the Obligations on the next available payment date or, within 90 days of receipt thereof, are deposited into an escrow that is restricted as to the investment thereof to the yield on the Obligations to pay debt service on the Obligations on the next available payment date.

Absent an opinion of bond counsel, no Remedial Actions are available to remediate the satisfaction of the Private Security or Payment Test regarding the same with respect to the Obligations. Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Financed Property.

5. **Additional Defined Terms.** For purposes of this attachment, the following terms have the following meanings:

“Commissioner” means the Commissioner of Internal Revenue, including any successor person or body.

“Defeasance Escrow” means an irrevocable escrow established to redeem obligations on their earliest call date in an amount that, together with investment earnings thereon, is sufficient to pay the entire principal of, and interest and call premium on, obligations from the date the escrow is established to the earliest call date. A Defeasance Escrow may not be invested in higher yielding investments or in any investment under which the obligor is a user of the proceeds of the obligations.

“Deliberate Action” means any action, occurrence, or omission by the Issuer (or, if applicable, by a conduit borrower) that is within the control of the Issuer (or, if applicable, by such conduit borrower) that causes either (1) the Private Business Use Test to be satisfied with respect to the Obligations or the Financed Property (without regard to the Private Security or Payment Test), or (2) the Private Loan Financing Test to be satisfied with respect to the Obligations or the proceeds thereof. An action, occurrence, or omission is not a Deliberate Action if (1) the action, occurrence, or omission would be treated as an involuntary or

compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence, or omission is in response to a regulatory directive made by the government of the United States.

“Disposition Proceeds” means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition of property (other than Investments) financed with the proceeds of the Obligations.

“Nonqualified Obligations” means that portion of the Obligations outstanding at the time of a Deliberate Action in an amount that, if the outstanding Obligations were issued or executed and delivered on the date on which the Deliberate Action occurs, the outstanding Obligations would not satisfy the Private Business Use Test or the Private Loan Financing Test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the Deliberate Action.

“Private Activity Bond Tests” means, collectively, the Private Business Use Test, the Private Security or Payment Test, and the Private Loan Financing Test.

“Private Business Tests” means the Private Business Use Test and the Private Security or Payment Test.

“Private Business Use Test” has the meaning set forth in Section 141(b)(1) of the Code.

“Private Loan Financing Test” has the meaning set forth in Section 141(c) of the Code.

“Private Security or Payment Test” has the meaning set forth in Section 141(b)(2) of the Code.

“Remedial Action” means any of the applicable actions described in Section 4 hereof, or such other actions as may be prescribed from time to time by the Department of the Treasury or the Internal Revenue Service, which generally have the effect of rectifying noncompliance by the Issuer with certain provisions of Section 141 of the Code and the Regulations thereunder and are undertaken by the Issuer to maintain the federal tax status of the Obligations.

6. **Change in Law.** This attachment is based on law in effect as of this date. Statutory or regulatory changes, including but not limited to clarifying Treasury Regulations, may affect the matters set forth in this attachment.