SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

$30,320,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)

$28,765,000	$1,555,000
Series 2007-A	Taxable Series 2007-B

Closing: May 1, 2007

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$30,320,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
(the "Certificates")

$28,765,000 Series 2007-A	$1,555,000 Taxable Series 2007-B

Closing: May 1, 2007

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Transcript Distribution:

Pima County, Arizona - Issuer (2)
U.S. Bank National Association - Trustee (1)
Squire, Sanders & Dempsey – Special Counsel (1)
Ambac Assurance Corporation – Insurer (2)
RBC Dain Rauscher Inc. - Underwriter (1)
Greenberg Traurig LLP - Underwriter's Counsel (1)

GROUND LEASE

by and between

PIMA COUNTY, ARIZONA
as Lessor

And

U.S. BANK NATIONAL ASSOCIATION, as trustee
as Lessee

Dated as of May 1, 2007

relating to

$30,320,000
Pima County, Arizona
Certificates of Participation, Series 2007
(Justice Building Project)

Comprised of
$28,765,000 Series 2007-A
And
$1,555,000 Taxable Series 2007-B

GROUND LEASE

THIS GROUND LEASE (the "Ground Lease"), dated as of May 1, 2007, by and between the PIMA COUNTY, ARIZONA, as lessor (the "Lessor" or the "County"), and U.S. BANK NATIONAL ASSOCIATION, in its capacity as trustee under the below-described Trust Agreement, as lessee (the "Lessee" or the "Trustee");

WITNESSETH:

WHEREAS, the Lessor owns the parcel of real property and appurtenant parking easement situated in Pima County, Arizona described in Exhibit A hereto and all improvements thereon existing at the time of execution of this Ground Lease (the "Site") through a conveyance from the Lessee, in which the Lessee retained a ground leasehold interest in the Site represented by this Ground Lease; and

WHEREAS, in order to finance (i) the acquisition of the Site, (ii) the acquisition, construction and equipping of certain improvements and related structures and facilities to be located on the Site, as more fully described on Exhibit B hereto (the "Improvements" and, together with the Site, the "Leased Property"), and (iii) the construction and equipping of certain replacement facilities for the County's Community Services Department on a parcel of real property presently owned the County and located in the City of South Tucson, Pima County, Arizona (the "County Community Services Facilities"), the Lessee, as trustee, has executed and delivered simultaneously herewith $30,320,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Series 2007 (the "2007 Certificates"), comprised of $28,765,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Series 2007-A, and $1,555,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Taxable Series 2007-B, representing the undivided proportionate interests of the owners thereof in a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), between the Trustee, as lessor, and the County, as lessee, and the lease payments to be made by the County pursuant to the Lease-Purchase Agreement (the "Lease Payments"), pursuant to the Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between the Trustee and the County, and has caused payment of the proceeds of the sale of the 2007 Certificates to be deposited into various funds established pursuant to the Trust Agreement; and

WHEREAS, in order to effect such financing it is necessary to set forth the terms and provisions to be in effect hereafter;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

Section 1. Term. The Lessor hereby leases the Site, together with all improvements currently or hereafter located thereon, to the Lessee and the Lessee hereby leases the Site and such improvements from the Lessor for the period commencing as of the date hereof and terminating on July 1, 2022, or such later date as the Lease-Purchase Agreement shall terminate. This Ground Lease shall be subject to earlier termination in accordance with Section 5 hereof.

Section 2. Simultaneous Lease-Back; No Merger. The County and the Trustee have concurrently entered into the Lease-Purchase Agreement, under which the Lessee, as lessor, has agreed to lease the Leased Property to the Lessor, as lessee. The County acknowledges that, as provided in the Lease-Purchase Agreement, if an event of default or termination occurs under the Lease-Purchase Agreement without a concurrent purchase of the Improvements by the County, the Trustee will have the right to relet its interest in the Site or portions thereof as to which such event relates without affecting or terminating this Ground Lease.

It is intended by the parties hereto that no merger of the leasehold estates of the Lessor shall occur by operation of law by reason of this Ground Lease and the Lease-Purchase Agreement, and more particularly that (i) the leasehold interest granted by the Lessor to the Lessee under this Ground Lease is and shall be independent of the Lease-Purchase Agreement, (ii) the Lease-Purchase Agreement shall not be considered an assignment or surrender of the leasehold interest granted to the Lessee under this Ground Lease, and (iii) the Lease-Purchase Agreement shall not operate as a merger or extinguishment of the leasehold interest granted to the Lessee under this Ground Lease.

Section 3. Title to Leased Property. The Lessor shall hold title to the Leased Property, subject to this Ground Lease and the Lease-Purchase Agreement.

Section 4. Rent. The Lessor and the Lessee acknowledge that a one-time lease payment, in an amount of $10.00, plus the Lessee's undertaking the Project Agreement, dated as of May 1, 2007, by and between the Lessor and the Lessee, to cause the Improvements to be acquired, constructed and equipped on the Site, which in the aggregate is agreed to represent fair market rental value for the Site, is being paid to the Lessor. The Lessee shall not be responsible for any additional payments hereunder, including any lease or real estate taxes levied with respect to this Ground Lease or the transactions contemplated hereby.

Section 5. Early Rights of Termination by Lessor. The Lessor shall have the right to terminate this Ground Lease upon written notice to the Lessee upon both (i) the termination of the Lease-Purchase Agreement in accordance with Article X thereof, and (ii) the defeasance of the Trust Agreement in accordance with Section 14.1 thereof.

Section 6. Surrender. The Lessee agrees that upon the expiration or termination of this Ground Lease it will surrender Site, together with all improvements thereon, to the Lessor. At the time of such surrender, the Site shall be free and clear of all liens and encumbrances other than (i) those existing on the date hereof, and (ii) those placed upon the Site by the Lessor.

Section 7. Notices. All notices to be given under this Ground Lease shall be made in writing and mailed by first class mail, postage prepaid, to the party at its address stated below or at such other address as the party may provide in writing from time to time.

If to Lessor:

Pima County, Arizona
130 West Congress, 6th Floor
Tucson, Arizona 85701
Attention: Director of Finance and Risk Management

If to Lessee:

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

Section 8. Headings. All section headings contained in this Ground Lease are for the convenience of reference only and are not intended to define or limit the scope of any provision of this Ground Lease.

Section 9. Cancellation of State Contracts; Conflicts of Interest. The Lessor and the Lessee acknowledge that this Ground Lease is subject to cancellation by the Lessor pursuant to Arizona Revised Statutes Section 38-511, the provisions of which are incorporated herein. The Lessor and the Lessee represent that, to the best of their knowledge, no basis exists for the Lessor to cancel this Ground Lease pursuant to Arizona Revised Statutes Section 38-511 as of the date hereof. The Lessee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Ground Lease, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Ground Lease on behalf of the Lessor within three (3) years from execution of this Ground Lease, unless a waiver of Arizona Revised Statutes Section 38-511 is provided by the Lessor.

Section 10. Entire Agreement; Amendment; Severability.

(a) This Ground Lease, together with attachments, exhibits and other documents or instruments executed by the Lessor and the Lessee in connection with this Ground Lease, constitutes the entire agreement between the parties with respect to the lease of the Site.

(b) This Ground Lease may not be modified, amended, altered or changed except with the prior written consent of the Lessor, the Trustee and, to the extent required by the Trust Agreement, the Certificate Insurer (as defined in the Trust Agreement).

(c) If any provision of, or any covenants, obligation or agreement contained in, this Ground Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this Ground Lease. That invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 11. Execution in Counterparts. This Ground Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page to follow]

IN WITNESS WHEREOF, the Lessor has caused this Ground Lease to be executed in its name by its duly authorized officer, and the Lessee has caused this Ground Lease to be executed in its corporate name by its duly authorized officer, as of the date first above written.

PIMA COUNTY, ARIZONA, as Lessor

By: _____

Its: Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

U.S. BANK NATIONAL ASSOCIATION, as Lessee

By: _____

Its: Assistant Vice President

IN WITNESS WHEREOF, the Lessor has caused this Ground Lease to be executed in its name by its duly authorized officer, and the Lessee has caused this Ground Lease to be executed in its corporate name by its duly authorized officer, as of the date first above written.

PIMA COUNTY, ARIZONA, as Lessor

By: _____

Its: Chairman, Board of Supervisors

ATTEST:

By: _____

Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

U.S. BANK NATIONAL ASSOCIATION, as Trustee, as Lessee

By: _____

Its: Assistant Vice President

STATE OF ARIZONA)
) ss:
County of Pima)

On this, April 27, 2007, before me, the undersigned Notary Public, personally appeared Richard Elias, who acknowledged himself to be the Chairman of the Pima County, Arizona, Board of Supervisors, and that he, as such officer, being authorized so to do, executed the foregoing Ground Lease for the purposes therein contained by signing the name of the county by himself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Donna Tobias
Notary Public

My Commission Expires: 12-20-08

OFFICIAL SEAL
DONNA TOBIAS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Exp. Dec. 20, 2008

383780.4

STATE OF ARIZONA)
) ss:
County of Pima)

On this, April 26, 2007, before me, the undersigned Notary Public, personally appeared Deborah M. Scherer, who acknowledged herself to be the Assistant Vice President of U.S. Bank National Association, and that she, as such officer, being authorized so to do, executed the foregoing Ground Lease for the purposes therein contained by signing the name of the association by herself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Jean E. Reynolds
Notary Public

My Commission Expires:
August 15, 2008

OFFICIAL SEAL
JEAN E. REYNOLDS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Expires Aug. 15, 2008

EXHIBIT A

DESCRIPTION OF SITE

(See attached pages)

Exhibit A

Parcel 1:

A Leasehold Estate in and to the following:

All of Lots 1, 2, 5, 6 and 7 and all that portion of Lot 8 in Block 196 of THE CITY OF TUCSON, Pima County, Arizona, according to the official field notes, map and survey, made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 8;
Thence Westerly along the North line of said Lot, 7 feet to a point;
Thence Southerly and parallel to the East line of said Lot, 7 feet to a point;
Thence Easterly and parallel with the North line of said Lot, 7 feet to a point on the East line of said lot;
Thence Northerly 7 feet to the PLACE OF BEGINNING.

EXCEPTING from said Lot 7, that portion thereof described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
West by the West line of Block 196; and
on the Southeast by the arc of a circle of radius 25 feet, concave to the Southeast and tangent to the North and West line of said three-sided parcel.

AND FURTHER EXCEPTING THEREFROM that portion of Lot 1 conveyed to the City of Tucson, a Municipal Corporation, by Deed recorded in Docket 4976, Page 527, described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
East by the East line of Block 196; and
Southwest by the arc of a circle of radius 25 feet, concave to the Southwest and tangent to the North and East line of said three-sided parcel.

PARCEL NO. 2:

Those rights and easements for parking, vehicular and pedestrian ingress and egress set forth in an Easement and Use Agreement dated September 22, 1976 and recorded September 30, 1976 in Docket 5368, Page 754.

Affecting all those parts of Lots 4 and 5 of Block 194 of the City of Tucson, Pima County, Arizona, according to the official field notes, map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 4;

Thence South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 4, a distance of 130.29 feet to the Northwest corner of said Lot 4;

Thence continuing South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 5, a distance of 25.22 feet to the Northeast corner of that parcel conveyed by Deed of Record in said office of the County Recorder in Book 205 of Deeds at Page 381;

Thence South 10 degrees 00 minutes 22 seconds East, along the East line of said parcel, 227.56 feet to a point in the North Wall of the Pioneer Pool and Patio Deck;

Thence North 77 degrees 21 minutes 47 seconds East, along said North wall, 24.91 feet to a point in the West line of said Lot 4 of Block 194, which point is South 10 degrees 00 minutes 22 seconds East along said West line, 222.33 feet from the Northwest corner of said Lot 4;

Thence North 76 degrees 31 minutes 31 seconds East, along said North wall 129.95 feet to a point in the East line of said Lot 4;

Thence North 10 degrees 20 minutes 37 seconds West along said East line, 193.36 feet to the POINT OF BEGINNING.

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS

The Improvements consist generally of improvements to the office tower being acquired on the Site to make it better suited to County use needs, including, without limitation, new chillers for the utility system, upgraded elevators in the building, telecommunications systems linking the building into the County's computer and telephone system, and remodeling to accommodate County office use.

When recorded return to:

Timothy E. Pickrell, Esq.
Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue, 27th Floor
Phoenix, Arizona 85004
(602.) 528-4000

Exemption Claimed:
A.R.S. Section 42-1614.B.1.

LEASE-PURCHASE AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION, as trustee

as Lessor

and

PIMA COUNTY, ARIZONA,

as Lessee

Dated as of May 1, 2007

relating to

$30,320,000
Pima County, Arizona
Certificates of Participation, Series 2007
(Justice Building Project)

Comprised of
$28,765,000 Series 2007-A
And
$1,555,000 Taxable Series 2007-B

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LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT (the "Lease-Purchase Agreement"), dated as of May 1, 2007, by and between U.S. BANK NATIONAL ASSOCIATION, as trustee under the below-described Trust Agreement, as lessor (the "Lessor"), and PIMA COUNTY, ARIZONA, as lessee (the "Lessee" or the "County");

WITNESSETH:

WHEREAS, pursuant to a Ground Lease (as defined herein), the Lessee has leased to the Lessor certain real property and appurtenant parking easement located in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit A hereto and all improvements thereon existing at the time of execution of the Ground Lease (the "Site"); and

WHEREAS, pursuant to the Project Agreement (as defined herein), the Lessor has agreed to cause the acquisition, construction and equipping of certain improvements and related structures and facilities on the Site, as more fully described on Exhibit B hereto (the "Improvements"); and

WHEREAS, the Lessor proposes to lease the Site, together with the Existing Facility and the Improvements (collectively, the "Leased Property"), to the Lessee pursuant to this Lease-Purchase Agreement for use for County purposes, and the Lessee is authorized pursuant to the laws of the State of Arizona to enter into this Lease-Purchase Agreement for such purposes; and

WHEREAS, in order to finance (i) the acquisition of the Site, (ii) the acquisition, construction and equipping of the Improvements, and (iii) the construction and equipping of certain replacement facilities for the County's Community Services Department on a parcel of real property presently owned the County and located in the City of South Tucson, Pima County, Arizona (the "Community Services Department Facilities"), the Lessor, as trustee, has executed and delivered simultaneously herewith $30,320,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Series 2007 (the "2007 Certificates"), comprised of $28,765,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Series 2007-A, and $1,555,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Taxable Series 2007-B, representing the undivided proportionate interests of the owners thereof in this Lease-Purchase Agreement and the lease payments to be made by the Lessee pursuant hereto (the "Lease Payments"), pursuant to the Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between the Lessor, as Trustee, and the County and has caused payment of the proceeds of the sale of such certificates of participation to be deposited into various funds established pursuant to the Trust Agreement; and

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS; EXHIBITS

Section 1.1 **Definitions**. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease-Purchase Agreement, have the meanings herein specified. Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Trust Agreement.

"2007 Certificates" shall mean, collectively, the 2007-A Certificates and the 2007-B Certificates.

"2007-A Certificates" shall mean the $28,765,000 aggregate principal amount of Certificates of Participation, Series 2007-A, to be executed and delivered pursuant to the Trust Agreement.

"2007-B Certificates" shall mean the $1,555,000 aggregate principal amount of Certificates of Participation, Taxable Series 2007-B, to be executed and delivered pursuant to the Trust Agreement.

"Additional Rent" shall mean any payments required to be made pursuant to Section 4.7 hereof in addition to the Lease Payments.

"Business Day" shall mean a day of the year other than (a) a Saturday or Sunday or (b) a day on which banking institutions located in the city designated by the Trustee for the presentation and payment of Certificates are required or authorized to remain closed or (c) a day on which the Certificate Insurer is closed.

"Certificate Insurance Policy" shall mean, as applicable, (a) with respect to the 2007 Certificates, the financial guaranty insurance policy issued by Ambac Assurance Corporation, insuring payment of the principal of and interest with respect to the 2007 Certificates, and (b) with respect to Additional Certificates, the insurance policy issued by the Certificate Insurer therefor, insuring payment of the principal of and interest with respect to such Additional Certificates.

"Certificate Insurer" shall mean, as applicable, (a) with respect to the 2007 Certificates, Ambac Assurance Corporation, and (b) with respect to Additional Certificates, the issuer of the Certificate Insurance Policy therefor.

"Certificates" shall mean, collectively, the 2007 Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement.

"Closing Date" shall mean (a) with respect to the 2007 Certificates, the day when the 2007 Certificates, duly executed by the Trustee, are delivered to the Original Purchaser, and (b) with respect to any other series of Certificates, the day when the Certificates of such series, duly executed by the Trustee, are delivered to the initial purchasers thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

"Defeasance Obligations" means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the following clause) and (ii) obligations of, or obligations guaranteed as to principal and interest by, the United Stated of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including (A) United States Treasury obligations, including State and Local Government Series, and (B) all direct or fully guaranteed obligations of the Farmers Home Administration, General Services Administration, Guaranteed title XI financing, and Government National Mortgage Association (GNMA). Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"Delivery Costs" shall mean all items of expense directly or indirectly payable by or reimbursable to the Lessee or the Lessor relating to the execution, sale and delivery of this Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and the Lessor, legal fees and charges, accountants' verification fees, insurance fees and charges, costs of any title insurance policy, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and any other costs, expenses, fees and charges in connection with the foregoing.

"Delivery Costs Fund" shall mean the fund by that name established and held by the Trustee pursuant to Section 3.2 of the Trust Agreement.

"Existing Facility" shall mean all improvements located on the Site on the date hereof, including the office tower and all related real and personal property.

"Event of Default" shall mean an Event of Default described in Section 9.1 hereof.

"Fiscal Period" shall mean a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period which may be established hereafter as the fiscal year of the Lessee for budgeting and appropriation purposes.

"Ground Lease" shall mean the Ground Lease, dated as of May 1, 2007, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto.

"Improvements" shall mean the improvements to the Existing Facility generally described on Exhibit B hereto.

"Independent Counsel" shall mean 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 Lessor or the Lessee.

"Insurance and Condemnation Fund" shall mean the fund by that name established and held by the Trustee pursuant to Article VII of the Trust Agreement.

"Lease-Purchase Agreement" or "Lease" shall mean this Lease-Purchase Agreement, dated as of May 1, 2007, by and between the Lessee and the Lessor, together with any duly authorized and executed amendment thereto.

"Lease Payment" shall mean all payments required to be paid by the Lessee on any date pursuant to Section 4.4(a) of this Lease-Purchase Agreement and as set forth in Exhibit C hereto.

"Lease Payment Date" shall mean each date on which a Lease Payment is due from the Lessee as set forth in Exhibit C hereto or the next succeeding Business Day if such date is not a Business Day.

"Lease Payment Fund" shall mean the fund by that name established and held by the Trustee pursuant to Article V of the Trust Agreement.

"Leased Property" shall mean, collectively, the Site, the Existing Facility and the Improvements.

"Lessee" shall mean Pima County, Arizona.

"Lessee Representative" shall mean the Chairman of the Board of Supervisors of the Lessee, the County Administrator of the Lessee, the Director of Finance of the Lessee, or the designees or any of them, or any other person authorized by resolution of the Lessee to act on behalf of the Lessee under or with respect to the Ground Lease, the Project Agreement, this Lease-Purchase Agreement and the Trust Agreement.

"Lessor" shall mean U.S. Bank National Association, as trustee under the Trust Agreement, or its successors or assigns hereunder and under the Trust Agreement.

"Lessor Representative" shall mean any person authorized to act on behalf of the Lessor under or with respect to Ground Lease, the Project Agreement, the Trust Agreement or this Lease-Purchase Agreement as evidenced by a resolution or by-law provision conferring such authorization adopted by the Lessor.

"Moody's" shall mean Moody's Investors Service or any successor nationally recognized securities rating agency.

"Net Proceeds" shall mean any insurance proceeds (other than proceeds of any insurance policy maintained pursuant to Section 5.3 hereof) or condemnation award in excess of $100,000, paid with respect to the Leased Property, or any proceeds resulting from the sale of the Leased Property pursuant to Section 9.2(b) of this Lease-Purchase Agreement, remaining after payment therefrom of all expenses incurred in the collection thereof.

"Original Purchaser" shall mean RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as original purchaser of the 2007 Certificates.

"Outstanding," when used with reference to the Certificates, shall mean, as of any date of determination, all Certificates theretofore executed and delivered except:

(a) Certificates theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Subject to Section 14.16 of the Trust Agreement, Certificates which are deemed paid and no longer Outstanding as provided in the Trust Agreement;

(c) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions of the Trust Agreement relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and

(d) For the purposes described in Section 10.3 of the Trust Agreement, the Certificates described in said Section 10.3.

"Owner" or "Certificate Owner" or "Owner of a Certificate," or any similar term, when used with respect to a Certificate shall mean the person in whose name such Certificate shall be registered.

"Permitted Encumbrances" shall mean, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the Lessee may, pursuant to provisions of Article V of this Lease-Purchase Agreement, permit to remain unpaid; (ii) this Lease-Purchase Agreement; (iii) the Trust Agreement; (iv) the Ground Lease, (v) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist as of the Closing Date and which the Lessee certifies in writing will not materially impair the use of the Leased Property for purposes of this Lease-Purchase Agreement or the security granted to the Trustee in the Trust Agreement; and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor, the Lessee and the Certificate Insurer consent in writing.

"Permitted Investments" shall mean and include (to the extent permitted by law):

(a) Defeasance Obligations.

(b) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: (A) the Export Import Bank of the United States, (B) the Rural Economic Community Development Administration (formerly the Farmers Home Administration), (C) the U.S. Maritime Administration, (D) the Small Business Administration, (E) the U.S. Department of Housing and Urban Development (PHA's), (F) the Federal Housing Administration, and (G) the Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or the Freddie Mac, (B) obligations of the Resolution Funding Corporation (REFCORP), (C) senior debt

obligations of the Federal Home Loan Bank System, and (D) senior debt obligations of other government-sponsored agencies approved by the Certificate Insurer.

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's, and which matures not more than 270 days after the date of purchase.

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(g) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(h) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P or Moody's or any successors thereto, or

(i) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of obligations described in clause (B) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally-recognized independent certified public accountant or firm of such accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity or redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(j) General obligations of any state of the United States of America rated at least "A2/A" or higher by both S&P and Moody's.

(k) Investment agreements and other forms of investments, including repurchase agreements, approved in writing by the Certificate Insurer (in the case of investment agreements, with appropriate opinions of counsel) with notice to S&P.

(l) Such other investments as are approved in writing by the Certificate Insurer.

"Prepayment" shall mean any prepayment of Lease Payments or Additional Rent, in whole or in part, pursuant to Article X of this Lease-Purchase Agreement.

"Prepayment Date" shall mean any date on which the Lessee may exercise its option to prepay all of the remaining Lease Payments in order to exercise its option to purchase all of the Leased Property pursuant to Section 10.2 of this Lease-Purchase Agreement, as set forth in the attached Exhibit D.

"Prepayment Price" shall mean the amount of money, but including Additional Rent, required to be paid by the Lessee on any Prepayment Date in order to exercise its option to purchase all of the Leased Property pursuant to Section 10.2 of this Lease-Purchase Agreement, as set forth in liar attached Exhibit D.

"Project Agreement" shall mean the Project Agreement, dated as of May 1, 2007, between the Lessee and the Lessor, together with any amendment thereof or supplement thereto permitted by the Trust Agreement.

"Project Costs" shall mean the price paid or to be paid by the Lessor to cause the acquisition and construction of the Leased Property in accordance with the Project Agreement and the acquisition and construction of the Community Services Department Facility, together with all other costs and expenses incidental to such acquisition and construction.

"Project Fund" shall mean the fund by that name established and held by the Trustee pursuant to Section 3.1 of the Trust Agreement.

"Qualified Self-Insurance" shall mean any program of self-insurance regarding which the Trustee has received a written evaluation of an independent insurance consultant or actuarial consultant having a favorable reputation for skill and experience and an opinion of such consultant that adequate reserves for such program are either maintained with an independent corporate trustee or otherwise held with appropriate safeguards to insure their availability. Notwithstanding the foregoing, any self-insurance program maintained by the Lessee in accordance with Arizona Revised Statutes Sections 11-981, 11-952.01 and 11-952.02 or their successors, shall be deemed to be Qualified Self-Insurance hereunder.

"Rebate Fund" shall mean the fund created by Section 8.8(b) of the Trust Agreement.

"S&P" shall mean Standard & Poor's Corporation or any successor nationally recognized securities rating agency.

"Site" shall mean the real property and appurtenant easement described on Exhibit A hereto.

"Special Counsel" shall mean any law firm, acceptable to the Lessee Representative, the Lessor and the Certificate Insurer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

"State" shall mean the State of Arizona.

"Tax Compliance Certificate" shall mean any agreement or certificate of the Lessee which the Lessee may execute in order to establish and maintain the exclusion from gross

income for federal income tax purposes of the interest component of the Lease Payments evidenced by the Certificates.

"Term of this Lease" or "Term" shall mean the time during which this Lease-Purchase Agreement is in effect, as provided in Section 4.2 hereof.

"Trust Agreement" shall mean the Trust Agreement, dated as of May 1, 2007, by and between the Trustee and the Lessee, together with any duly authorized and executed amendments or supplements thereto.

"Trustee" shall mean U.S. Bank National Association, in its capacity as trustee, or any successor thereto acting as Trustee pursuant to the Trust Agreement.

Section 1.2 **Exhibits**. The following Exhibits are attached to, and by reference made a part of, this Lease-Purchase Agreement:

Exhibit A: The description of the real property constituting the Site

Exhibit B: The description of the Improvements.

Exhibit C: The schedule of Lease Payments to be paid by the Lessee hereunder showing each Lease Payment Date and the amount of each Lease Payment.

Exhibit D: The schedule of Prepayment Dates and corresponding Prepayment Prices.

Section 1.3 **Execution and Delivery of 2007 Certificates**. To accomplish the acquisition of the Site, and the Existing Facility and the acquisition, construction and equipping of the Improvements thereon and the construction and equipping of the Community Services Department Facilities, as set forth in Section 3.2 hereof, the parties agree that the 2007 Certificates shall be executed and delivered in an amount sufficient to pay all Project Costs and Delivery Costs as set forth in the Trust Agreement.

ARTICLE II
REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1 **Representations, Covenants and Warranties of the Lessee**. The Lessee represents, covenants and warrants to the Lessor as follows:

(a) Authorization. The Constitution and the laws of the State authorize the Lessee to enter into this Lease-Purchase Agreement, the Ground Lease, the Project Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under all of the aforesaid agreements, and the Lessee has duly authorized, executed and delivered all of the aforesaid agreements in accordance with the laws of the State.

(b) No Violations. Neither the execution and delivery of this Lease-Purchase Agreement, the Ground Lease, the Project 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 law, regulation, court order, restriction, or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the Lessee, or upon the Leased Property, except Permitted Encumbrances.

(c) Execution and Delivery. The Lessee has duly authorized, executed and delivered this Lease-Purchase Agreement in accordance with the laws of the State and upon such execution and delivery the Lease-Purchase Agreement will be a valid and binding agreement of the Lessee.

(d) Annual Appropriation. The Lessee will, subject to Section 4.2 hereof, include in its budget for each successive Fiscal Period during the Term of this Lease-Purchase Agreement a sufficient amount to permit the Lessee to make all of the Lease Payments, to pay Additional Rents and to make other payments hereunder, and the County has budgeted and has available for the current Fiscal Period sufficient funds to comply with its obligations hereunder.

(e) Need for Leased Property. The Lessee has an immediate need for, and expects to make immediate use of, the Leased Property, which need is not temporary or expected to diminish in the foreseeable future.

(f) Foreseeable Need. There are no circumstances presently affecting the Lessee that could be reasonably expected to alter its foreseeable need for the Leased Property or adversely affect its ability or willingness to budget funds for the payment of Lease Payments, Additional Rent and other payments due hereunder.

(g) Governmental Use. The Leased Property will be used by the Lessee during "Term of this Lease-Purchase Agreement" for the purpose of carrying out the governmental purposes of the Lessee.

(h) Compliance With and Enforcement of Lease-Purchase Agreement. The Lessee covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under this Lease-Purchase Agreement, the Ground Lease, the Project Agreement and the Trust Agreement. The Lessee, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting its estates in the Leased Property, will deliver the same, or a copy thereof, to the Trustee.

(i) Prosecution and Defense of Suits. The Lessee shall promptly, upon written request of the Lessor or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter arising and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall, to the maximum extent permitted by law, indemnify and save the Lessor, the Trustee and every Certificate Owner harmless for, from and against all loss cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

(j) Recordation and Filing. The Lessee shall record and file this Lease-Purchase Agreement and the Ground Lease 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 Certificate Owners.

(k) Further Assurances. The Lessee will 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 the Ground Lease, the Project Agreement, the Trust Agreement and this Lease-Purchase Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

(l) Environmental Matters

(i) Except as disclosed in writing to the Lessor and the Trustee prior to the date hereof, the Lessee has not been informed of, nor does the Lessee have any knowledge of (a) the presence of any "Hazardous Substances" (as defined below) on any of the Leased Property, or (b) any spills, releases, threatened releases, discharges or disposal of Hazardous Substances that have occurred or are presently occurring on or onto any of the Leased Property or any properties adjacent to any of the Leased Property, or (c) any spills or disposal of Hazardous Substances that have occurred or are presently occurring on any other properties as a result of any construction on or operation and use of any such Leased Property.

(ii) In connection with the construction on or operation and use of any of the Leased Property, the Lessee represents that it has no knowledge of any failure to comply with any applicable local, state or federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, treatment, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Substances.

(iii) The Lessee represents and warrants that it has given no release or waiver of liability that would impair any claim based upon Hazardous Substances to a previous owner of any of the Leased Property or to any party who may be potentially responsible for the presence of Hazardous Substances thereon nor has it made promises of indemnification regarding Hazardous Substances on or associated with any of the Leased Property to any person other than the Trustee.

(iv) In the event that the Lessee becomes aware of the release of any Hazardous Substances on, or other environmental condition, problem or liability with respect to, any of the Leased Property, the Lessee agrees to promptly notify the Trustee in writing of such condition. The Lessee further agrees to take actions to investigate and clean up the release of any Hazardous Substances on, or other environmental condition, problem or liability affecting, any of the Leased Property, promptly after the Lessee becomes aware of any such condition and to keep the Trustee advised of all such actions taken by the Lessee.

(v) As used in this Section, "Hazardous Substances" shall mean: any substance or material at the level defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous or toxic chemical, a hazardous, toxic or radioactive substance, petroleum or other similar term, by any federal, state or local environmental statute, regulation, or ordinance presently in effect or that may be promulgated in the future, as such statutes, regulations and ordinances may be amended from time to time, including, but not limited to, the statutes listed below:

> Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901, et seq.
>
> Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq.
>
> Federal Emergency Planning and Community Right-to-Know Act of 19865 42 U.S.C. Sections 11001, et seq.
>
> Federal Clean Air Act, 42 U.S.C. Sections 7401-7642.
>
> Federal Water Pollution Control Act, Federal Clean Water Act of 1977, 33 U.S.C. Sections 1251, et seq.
>
> Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Sections 136, et seq.

(m) Disclaimer. The Lessee acknowledges that the Leased Property is being acquired and improved by the Lessor at the Lessee's request and direction pursuant to the Project Agreement specifically for the purpose of leasing the Leased Property to the Lessee; the Leased Property will be acquired on the basis of specifications and requirements furnished by the Lessee; and the Lessor has not held itself out as having knowledge or skill particular to the Leased Property or made any affirmations of fact regarding the Leased Property.

(n) Continuing Disclosure. With respect to the execution and delivery of the 2007 Certificates, the Lessee covenants to comply with the reporting requirements applicable to obligated persons set forth in Rule 15c2-12 adopted pursuant to the Securities Exchange Act of 1934, as amended, or any successor provision thereto, and to enter into one or more continuing disclosure undertakings or agreements in form and substance satisfactory to the Original Purchaser.

Section 2.2 Representations, Covenants and Warranties of the Lessor. The Lessor represents, covenants and warrants to the Lessee as follows:

(a) Due Organization and Existence. The Lessor, on the date of execution of this Lease-Purchase Agreement, is a national banking association, duly organized and existing under the laws of the United States of America and has power to enter into this Lease-Purchase

Agreement, the Ground Lease, the Project Agreement and the Trust Agreement, and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) No Encumbrances. The Lessor will not pledge the Lease Payments, Additional Rent or other amounts derived from the Leased Property and from its other rights under this Lease-Purchase Agreement, and will not transfer, mortgage or encumber its interest in the Leased Property, except as provided under the terms of this Lease-Purchase Agreement and the Trust Agreement.

(c) No Violations. Neither the execution and delivery of this Lease-Purchase Agreement, the Ground Lease, the Project 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 Lessor is now a party or by which the Lessor 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 Lessor, or upon the Leased Property, except Permitted Encumbrances.

(d) No Assignments. Except as provided herein, the Lessor will not assign this Lease-Purchase Agreement, its right to receive Lease Payments, Additional Rent or other amounts derived from the Leased Property or from its other rights under this Lease-Purchase Agreement or its duties and obligations hereunder to any other person, firm or corporation.

Section 2.3 **Tax Covenants**. The Lessee covenants (a) that it will take or cause to be taken all actions that may be required of it for the interest on the 2007-A Certificates to remain excluded from gross income for federal income tax purposes, (b) that it will not take or authorize to be taken any actions which would adversely affect such exclusion and (c) that it, or other persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the 2007 Certificates in compliance with Arizona law and the Trust Agreement, (ii) restrict the yield on investment property, (iii) make or cause to be made timely and adequate payments to the federal government as provided in Section 8.8 of the Trust Agreement, (iv) maintain books and records, and (v) refrain from certain uses of proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of the interest on the 2007-A Certificates under the Code. An officer of the Lessee shall take any and all such actions, make such rebate payments or potential payments and make or give such reports and certifications as may be appropriate to assure such exclusion of the interest.

The Lessee covenants that it will use, and will restrict the use and investment of the proceeds of the 2007 Certificates in such manner and to such extent, if any, as may be necessary, so that (a) the 2007-A Certificates will not (i) constitute an arbitrage bond, a private activity bond or a hedge bond under Sections 141, 148 or 149 of the Code, or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest on the 2007-A Certificates will not be treated as a preference item under Section 57 of the Code.

Any officer of the Lessee having responsibility with respect to the execution and delivery of this Lease-Purchase Agreement shall, alone or in conjunction with any other officer, employee

or agent of or consultant to the Lessee, be authorized (a) to make or affect any election, selection, designation, choice, consent, approval, or waiver on behalf of the Lessee with respect to this Lease-Purchase Agreement or the Certificates as the Lessee is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the interest on the 2007-A Certificates or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action which be in writing and signed by the officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Lessee, as may be appropriate to assure the exclusion of the interest on the 2007-A Certificates from gross income for federal income tax purposes, and (c) to give one or more appropriate certificates of the Lessee, for inclusion in the transcript of proceedings for setting forth the reasonable expectations of the Lessee regarding the amount and use of all the proceeds relating to the 2007 Certificates and the property financed with such proceeds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the 2007-A Certificates.

ARTICLE III
DEPOSIT OF MONEYS; APPLICATION OF FUNDS

Section 3.1 **Deposit of Moneys**.

(a) On the Closing Date, there shall be deposited with the Trustee the net proceeds of sale of the 2007 Certificates, which proceeds shall be deposited as provided in Sections 2.6(a) and 3.1 of the Trust Agreement for disbursement pursuant to the Trust Agreement.

Section 3.2 **Acquisition, Construction and Equipping of Improvements**.

(a) The Lessor hereby agrees to acquire, construct and equip the Improvements pursuant to the Project Agreement through the deposit and disbursement of funds in accordance with Section 2.6 of the Trust Agreement.

(b) In the event that amounts in the Project Fund are insufficient to complete the acquisition, construction and equipping of the Improvements, the Lessee will promptly pay all amounts required to complete such acquisition, construction and equipping from any source legally available to the Lessee.

Section 3.3 **Payment of Delivery Costs**. Payment of the Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund as provided in Section 3.1 hereof, which shall be disbursed for this purpose in accordance and upon compliance with Article III of the Trust Agreement.

Section 3.4 **Unexpended Proceeds and Other Moneys**. All excess moneys remaining in the Delivery Costs Fund and not required for payment of Delivery Costs, shall be

transferred by the Trustee to the Lease Payment Fund pursuant to Section 3.2 of the Trust Agreement and applied as a Prepayment of the Lease Payments pursuant to Article X hereof, and shall be applied to pay the next-succeeding Lease Payments as the same become due and payable.

ARTICLE IV
AGREEMENT TO LEASE-PURCHASE; TERMINATION OF THIS AGREEMENT; LEASE PAYMENTS; TITLE TO THE LEASED PROPERTY

Section 4.1 **Lease-Purchase**. The Lessor hereby leases the Leased Property to the Lessee, and the Lessee hereby leases the Leased Property from the Lessor, upon the terms and conditions set forth in this Lease-Purchase Agreement.

Section 4.2 **Term of Agreement: Termination**.

(a) The Term of this Lease-Purchase Agreement shall commence on the date hereof, and continue until the end of the Lessee's current fiscal period, and thereafter shall be deemed to automatically be extended by the Lessee for such additional fiscal periods as are necessary to complete the anticipated total Lease Term through and including July 1, 2022, unless terminated prior thereto as provided herein. If on July 1, 2022, the Trust Agreement shall not be discharged by its terms, then the Term of this Lease-Purchase Agreement shall be extended until the Trust Agreement shall be discharged by its terms. If prior to July 1, 2022, the Trust Agreement shall, to the extent permitted by law, be discharged by its terms, the Term of this Lease-Purchase Agreement shall thereupon end. Reference to the Term of this Lease-Purchase Agreement shall include the initial and any extended term hereunder.

(b) If the Lessee shall fail to obtain, on or before the third Business Day prior to the last date on which the Lessee is required or permitted to adopt its budget for a Fiscal Period, proper budgeting and final appropriation by the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the Fiscal Period for which such budgeting and appropriation are made, the Lessee will immediately notify the Trustee and the Certificate Insurer in writing of that fact. If on the last date on which the Lessee is required or permitted to adopt its budget for a Fiscal Period no such proper budgeting and final appropriation by the Lessee's Board of Supervisors shall have been made, all of the Lessee's right, title and interest in and future obligations under this Lease-Purchase Agreement and to all of the Leased Property shall terminate (subject to reinstatement as provided in subsection (c)), effective as of the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which sufficient funds were determined to be lawfully available and allocated and the Lessee shall be relieved of any subsequent obligation under this Lease-Purchase Agreement with respect thereto, other than to return the Lessor possession of all of the Leased Property as provided in this Lease-Purchase Agreement and to pay any accrued and unpaid obligations.

(c) If this Lease-Purchase Agreement terminates pursuant to subsection (b) and if within forty-five (45) days after such date of termination amounts described in subsection (b) are determined to be available which would have permitted this Lease-Purchase Agreement to have continued in effect with respect to the Leased Property if such amounts had been

determined to be available prior to the termination date, then this Lease-Purchase Agreement shall be reinstated with respect thereto and deemed renewed as of the day following the date of such termination.

Section 4.3 **Possession**. The Lessee agrees to take immediate possession of the Leased Property. The Lessee agrees to surrender possession of all the Leased Property upon termination of this Lease-Purchase Agreement for any reason (i) on the day following the forty-five (45) day reinstatement period provided in Section 4.2(c) hereof or (ii) on the date set by the Lessor under Section 9.2(b) hereof. To the maximum extent permitted by law, the Lessee agrees to hold the Lessor harmless for, from and against any costs, loss or damage whatsoever arising from or occasioned by any removal of property due to such termination.

Section 4.4 **Lease Payments: Additional Rent; Other Payments**.

(a) Obligation to Pay. Subject to the provisions of Section 4.2 and Articles VI and X hereof, the Lessee agrees to pay to the Lessor, its successors and assigns, as rental for the use and occupancy of the Leased Property, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit C, to be due and payable on the respective Lease Payment Dates specified in Exhibit C. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the Prepayment of the Lease Payments in part but not in whole pursuant to Article X hereof, other than (i) amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment and (ii) proceeds of the Certificate Insurance Policy) shall be credited towards the Lease Payments then due and payable, and no Lease Payments need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund (other than amounts resulting from the Prepayment of the Lease Payments in part but not in whole pursuant to Article X hereof, other than (i) amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment and (ii) proceeds of the Certificate Insurance Policy) are at least equal to the Lease Payments then required to be paid. Each Fiscal Period's Lease Payments shall be for the use of the Leased Property during such Fiscal Period.

The obligations of the Lessee to pay Lease Payments and Additional Rent as required in this Lease-Purchase Agreement and the performance and observance of the other covenants and agreements on the Lessee's part contained herein shall be absolute and unconditional in all aspects, except as specifically otherwise provided herein with respect to termination upon non-appropriation of funds. During the term hereof, the Lessee (i) shall not suspend or discontinue payment of the Lease Payments or Additional Rent, (ii) shall perform and observe all of its agreements contained herein, and will not terminate this Lease-Purchase Agreement for any reason, including, without limitation, any acts or circumstances that may constitute destruction of or damage to the Leased Property, frustration of purpose, or any failure of the Lessor to perform and observe any agreement whether express or implied, or any duty, liability or obligation arising out of or connected with this Lease-Purchase Agreement.

The Lessor acknowledges and the Certificate Insurer has been informed by the Lessee that, pursuant to Arizona law, the Lessee's obligation to make Lease Payments is a current expense of the Lessee, payable exclusively from budgeting and appropriation during each Fiscal Period, and is not a general obligation or indebtedness of Pima County, Arizona.

Arizona law provides that, if the Lessee fails to budget and appropriate money for any periodic payment or renewal term of a lease-purchase agreement, such agreement shall terminate at the end of the current term and the Lessee shall be relieved of any subsequent obligation under such agreement. The Lessee hereby covenants to make Lease Payments and Additional Rents for all Fiscal Periods during the Lease Term if funds are budgeted and appropriated by the Lessee's Board of Supervisors for that purpose.

The budget officials of the Lessee hereby covenant that they will include in the budget presented to the Lessee's Board of Supervisors sufficient funds for payment of all Lease Payments and Additional Rent when due, provided, however, the Lessor acknowledges that pursuant to Arizona law, budgeting and appropriation of money by Pima County is a legislative act of the Board of Supervisors and is beyond the control of the budgeting official of the Lessee.

(b) Effect of Prepayment. In the event that the Lessee prepays all remaining Lease Payments and Additional Rent in full pursuant to Article X hereof, the Lessee's obligations under this Lease-Payment Agreement shall thereupon cease and terminate, including but not limited to the Lessee's obligation to pay Lease Payments under this Section. In the event the Lessee prepays less than all of the remaining principal components of the Lease Payments and Additional Rent pursuant to Sections 10.3 or 10.4 hereof, the principal and interest components of the remaining Lease Payments shall be reduced proportionately such that the remaining Lease Payments correspond to the remaining payments of principal and interest with respect to the Outstanding Certificates (determined by reference to the Trust Agreement).

(c) Rate on Overdue Payments. In the event the Lessee should fail to make any of the Lease Payments or Additional Rent required in this Section 4.4, the payment in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate of ten percent (10%) per annum.

(d) Fair Rental Value. The Lease Payments and Additional Rent for each rental payment period during the term of this Lease-Purchase Agreement shall constitute the total rental for the Leased Property for such rental payment period, and shall be paid by the Lessee in each rental payment period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each such period for which said rental is to be paid. The parties hereto have agreed and determined that the total Lease Payments and Additional Rent represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the appraised value of the Leased Property, other obligations of the parties under this Lease-Purchase Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the Lessee and the general public.

(e) Lessor as Trustee. The Lessee understands that all interest of the Lessor in and to the Lease Payments and Additional Rent for the Leased Property is held by the Trustee in trust, pursuant to the Trust Agreement for the benefit of the Owners of the Certificates. The Lessee hereby agrees to pay to the Trustee at the Trustee's designated office, or to the Trustee at such other place as the Trustee shall direct in writing, all Lease Payments and Additional Rent payable by the Lessee pursuant to this Lease-Purchase Agreement.

Section 4.5 **Quiet Enjoyment**. During the Term of this Lease-Purchase Agreement the Lessee shall have quiet use and enjoyment of the Leased Property, and the Lessee shall during such Term peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Lessor, except as expressly set forth in this Lease-Purchase Agreement. The Lessor will, at the request of the Lessee and at the Lessee's cost, join in any legal action in which the Lessee asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor and the Certificate Insurer shall have the right to inspect the Leased Property as provided in Section 7.1 hereof.

Section 4.6 **Title**. Pursuant to the Ground Lease, the Lessee shall hold title to the Leased Property, but subject to this Lease-Purchase Agreement and the Lessor's interest in the Ground Lease.

If the Lessee prepays the Lease Payments and Additional Rent in full pursuant to Article X hereof or makes the advance deposit required by Section 10.1 hereof, or pays all Lease Payments and Additional Rent during the Term of this Lease-Purchase Agreement as the same become due and payable, all right, title and interest of the Lessor in and to the Leased Property shall be transferred to and vested in the Lessee free and clear of this Lease-Purchase Agreement. Such title shall vested in the Lessee hereunder without the necessity of any additional payments or of any further instrument of transfer. The Lessor agrees to take any and all steps and execute and record any and all documents reasonably required by the Lessee to confirm such vesting of title.

Section 4.7 **Additional Rent**. In addition to the Lease Payments described in Section 4.4 hereof, the Lessee shall pay when due (a) all costs and expenses incurred by the Lessor or the Trustee to comply with the provisions of the Trust Agreement, (b) payments required to be deposited into the Rebate Fund pursuant to Section 8.8(c) of the Trust Agreement, (c) compensation, expenses and any other amounts payable to the Trustee under Section 9.8 of the Trust Agreement, (d) all amounts payable by the Lessee pursuant to Section 7.2 hereof, (e) all costs and expenses of auditors, engineers, accountants and legal counsel, if necessary, but excluding Delivery Costs (which shall be paid by the Lessor from moneys deposited in the Delivery Costs Fund) and (f) all rent for any holdover period during which Lessee stays in possession of the Leased Property after termination of this Lease-Purchase Agreement, which rent shall be calculated as: (i) number of days of holdover divided by (ii) 365 multiplied by (iii) the Lease Payments for such Fiscal Period.

Section 4.8 **Nonsubstitution**. If an event of default, as defined in Section 9.1 hereof, shall occur or the Lessee shall terminate this Lease-Purchase Agreement pursuant to Section 4.2(b) hereof, the Lessee agrees, to the extent permitted by law, for sixty (60) days from the date of such termination, not to purchase, lease or rent any other property or services to perform the same functions as, or functions taking the place of, those performed by the Leased Property; provided, however, that these restrictions shall not be applicable if or to the extent that the application of these restrictions would affect the validity of this Lease-Purchase Agreement.

ARTICLE V
MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.1 **Maintenance, Utilities, Taxes and Assessments**. Throughout the Term of this Lease-Purchase Agreement, as part of the consideration for the rental of the Leased Property, the Lessee shall repair and maintain the Leased Property, and the Lessee shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the Lessee or any assignee or sublessee thereof. In exchange for the Lease Payments and Additional Rent herein provided, the Lessor agrees to provide only the Leased Property, as hereinbefore more specifically set forth.

The Lessee shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Lessor, the Trustee or the Lessee affecting the Leased Property (but not including income taxes), the respective interests or estates therein or the taxability of any payments under this Lease-Purchase Agreement; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease-Purchase Agreement as and when the same become due.

The Lessee or any sublessee may, at the Lessee's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Lessor shall notify the Lessee or such sublessee that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Lessor in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Lessee or such sublessee shall promptly pay such taxes, assessments or charges or provide the Lessor with full security against any loss which may result from nonpayment, in form satisfactory to the Lessor and the Trustee.

Section 5.2 **Modification of Leased Property**. The Lessee and any sublessee shall, at their own expense, have the right to remodel any portion of the Leased Property or to make additions, modifications and improvements to any portion of the Leased Property. All such additions, modifications and improvements shall thereafter comprise part of the Leased Property and be subject to the provisions of this Lease-Purchase Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section, shall be of a value which is not substantially less than the value of such Leased Property immediately prior to the making of such additions, modifications and improvements. The Lessee will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the Lessee or any sublessee or assignee pursuant to this Section; provided that if any such lien is

established and the Lessee shall first notify or cause to be notified the Lessor of the Lessee's or any sublessee's intention to do so, the Lessee or any sublessee may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Lessor. The Lessor will cooperate fully in any such contest, upon the request and at the expense of the Lessee or such sublessee.

Section 5.3 **General Liability Insurance**. The Lessee shall maintain or cause to be maintained, throughout the Term of this Lease-Purchase Agreement, Qualified Self-Insurance or a standard commercial general insurance policy or policies with a responsible insurance company or companies authorized under the laws of the State to assume such risks, of such types and in such amounts as are determined by the Lessee to be customary for similar institutions carrying on similar activities to those carried on the Leased Property. Said policy or policies, or any Qualified Self-Insurance as discussed below, shall, to the extent permitted by law, name the Lessor and the Trustee as additional insureds and shall provide for coverage against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Leased Property; provided, however, to the extent the Lessor or the Trustee is not named as additional insureds under any insurance or Qualified Self-Insurance, the Lessee hereby assigns to the Lessor and the Trustee its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective interests or rights under this Lease-Purchase Agreement may appear on the date of payment thereof. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the Lessee and may be maintained in the form of Qualified Self-Insurance by the Lessee. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid.

Section 5.4 **Fire and Extended Coverage Insurance**. The Lessee shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease-Purchase Agreement, insurance or Qualified Self-Insurance against loss or damage to any structures or equipment constituting any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance then in existence. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of the Leased Property then in existence. Such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Lessee and may be maintained in the form of Qualified Self-Insurance by the Lessee. Said policy or policies, or any Qualified Self-Insurance, shall, to the extent permitted by law, provide for insuring the Lessor, the Trustee and the Lessee against such loss or damage; provided, however, to the extent the Lessor or the Trustee are not named as loss payees under any insurance or Qualified Self-Insurance, the Lessee hereby assigns to the Lessor and the Trustee its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective interests or rights under this Lease-Purchase

Agreement may appear on the date of payment thereof. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a) hereof.

Section 5.5 **Title Insurance**. The Lessee shall provide, at its own expense, on or before the Closing Date, a title insurance policy in form satisfactory to the Certificate Insurer in the amount of not less than the aggregate principal amount of the 2007 Certificates insuring the Trustee's interest in the Leased Property under the Ground Lease and this Lease-Purchase Agreement, subject only to Permitted Encumbrances. All Net Proceeds received under said policy shall be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the Prepayment of the remaining Lease Payments pursuant to Section 10.4 hereof.

Section 5.6 **Insurance Net Proceeds: Form of Policies**. Each policy of insurance required by Sections 5.4 and 5.5 hereof shall provide that all proceeds thereunder shall be payable to the Lessor or assigned to the Lessor by the Lessee pursuant to Sections 5.3 and 5.4 hereof and applied as provided in Section 6.2 hereof. All policies of insurance required by this Lease-Purchase Agreement and any statements of self-insurance shall be in form satisfactory to the Certificate Insurer. The Lessee shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease-Purchase Agreement, and shall promptly furnish or cause to be furnished evidence of such payments to the Lessor, who shall provide copies of the same to the Certificate Insurer within five (5) Business Days of receipt thereof. All such policies shall provide that the Lessor shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. Within five (5) Business Days of receipt of any such notice of expiration, cancellation or reduction, the Lessor shall notify the Certificate Insurer of the same. The Lessor shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Lessee. The Lessee shall cause to be delivered to the Lessor annually evidence satisfactory to the Lessor that the insurance policies required by this Lease-Purchase Agreement are in full force and effect. In the event the Lessee maintains self-insurance for the insurance required by Sections 5.3 and 5.4 hereof, the Lessee shall cause to be delivered to the Lessor annually the documentation required for the determination that such self-insurance constitutes Qualified Self-Insurance. The Lessee shall furnish an annual certificate stating that the insurance in effect meets the requirements of Sections 5.3, 5.4 and 5.6 of this Lease Agreement.

Section 5.7 **Advances**. If the Lessee shall fail to perform any of its obligations under this Article, the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the Lessee shall be obligated to repay all such advances as Additional Rent as soon as possible, with interest at the rate of ten percent (10%) per annum from the date of the advance to the date of repayment.

Section 5.8 **Installation of Lessee's Equipment**. The Lessee and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of such party, in which neither the Lessor nor the Trustee shall have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this

Lease-Purchase Agreement shall prevent the Lessee and any sublessee from purchasing or leasing items to be installed pursuant to this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

Section 5.9 **Liens**. The Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than the respective rights of the Lessor and the Lessee as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The Lessee shall reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.10 **Delivery of Leased Property Upon Termination**.

Lessee shall, (i) upon the early termination of the full Term of this Lease-Purchase Agreement or (ii) on the date set by the Lessor under Section 9.2(b) hereof, deliver the Leased Property to the Lessor, or another person, as directed by the Lessor, in at least as good condition and repair as when delivered to Lessee, ordinary wear and tear excepted. The Leased Property shall be delivered to the Lessor, or another person, as directed by the Lessor, as herein required, free and clear of all liens, encumbrances and rights of others except Permitted Encumbrances.

ARTICLE VI
DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1 **Eminent Domain**. If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease-Purchase Agreement shall cease as of the day possession shall be so taken and the Net Proceeds shall be deposited with the Trustee pursuant to Section 7.2 of the Trust Agreement. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) this Lease-Purchase Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (ii) there shall be a partial reduction of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the Prepayment of the Lease Payments hereunder as provided in Section 6.3 hereof.

The Lessee agrees, to the extent permitted by law, that it shall not enter into any settlement agreement with a governmental entity bringing condemnation proceedings against the Leased Property without the prior written consent of the Certificate Insurer, which consent shall not be unreasonably withheld, and shall use its best efforts to effect any condemnation award in an amount at least equal to the then Outstanding par amount of Certificates plus accrued interest thereon.

Section 6.2 Application of Net Proceeds.

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any Leased Property by fire or other casualty shall be deposited in the Insurance and Condemnation Fund created pursuant to Article VII of the Trust Agreement by the Trustee promptly upon receipt thereof and, if the Lessee determines, within ninety (90) days following such deposit, that the replacement, repair, restoration, modification or improvement of such Leased Property is not economically feasible or in the best interest of the Lessee, then, upon receipt by the Trustee and the Certificate Insurer of written notice of such determination by the Lessee Representative, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied as provided in Section 10.4 hereof; provided, however, that in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the redemption of all Outstanding Certificates; provided further, however, if the Net Proceeds are not sufficient to cause the redemption of all Outstanding Certificates the Lessee shall have an option to purchase the Leased Property for a price representing the difference between the amount of Net Proceeds received and available for transfer to the Lease Payment Fund and the amount required to redeem all Outstanding Certificates. The proceeds from said insurance and the Net Proceeds shall then be deposited in the Lease Payment Fund and applied as provided in Section 10.4 hereof. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the Lessee, upon receipt of a requisition satisfactory to the Trustee signed by the Lessee Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation; provided, however, in the event the Lessee determines that the Net Proceeds are insufficient for the replacement of the Leased Property and that additional funds are not available from other sources in an amount sufficient for such replacement, such Net Proceeds shall be transferred to the Lease Payment Fund and be applied in accordance with Section 10.4 of this Lease-Purchase Agreement. Any balance of the Net Proceeds remaining after such work has been completed shall be deposited in the Lease Payment Fund and applied toward subsequent Lease Payments.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award resulting from any event described in Section 6.1 hereof shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trustee pursuant to Section 7.2 of the Trust Agreement.

(c) Proceeds of $100,000 or Less. The parties hereto agree that the provisions of this Section 6.2 are not intended and shall not be construed in any way to apply to the proceeds of any insurance or condemnation award less than or equal to $100,000. Such proceeds shall be paid to the Lessee and applied by the Lessee in its sole discretion.

Section 6.3 **Reduction of Rental in the Event of Prepayment of Lease Payments**. In the event the Net Proceeds of any insurance or condemnation awards are deposited in the Lease Payment Fund and credited towards Prepayments pursuant to Section 10.4 hereof, the amount of remaining Lease Payments shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments will correspond to the remaining payments of principal of and interest on the Outstanding Certificates (after any redemption of Certificates pursuant to Section 4.2 of the Trust Agreement resulting from such Prepayments), which resulting Lease Payments are hereby deemed to represent fair consideration for the use and occupancy of the portions of the Leased Property not taken, damaged or destroyed. In the event of any such reduction, this Lease-Purchase Agreement shall continue in full force and effect and the Lessee waives any right to terminate this Lease-Purchase Agreement by virtue of any damage or destruction of the Leased Property causing such reduction of Lease Payments.

ARTICLE VII
ACCESS TO LEASED PROPERTY, INDEMNIFICATION

Section 7.1 **Access to the Leased Property**. The Lessee agrees that the Lessor, any Lessor Representative and the Certificate Insurer, shall have the right at all reasonable times to enter upon and into the Leased Property and to examine and inspect the Leased Property. The Lessee further agrees that the Lessor, any Lessor Representative, and the Lessor's successors or assigns shall have such rights of access to the Leased Property as may be reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the Lessee to perform its obligations hereunder.

Section 7.2 **Release and Indemnification Covenants**. To the extent permitted by law, the Lessee shall and hereby agrees to indemnify and save the Trustee and the Certificate Insurer harmless for, from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the ownership, use, maintenance, condition or management of, or from any work or thing done on, the Leased Property, (ii) any breach or default on the part of the Lessee in the performance of any of its obligations under this Lease-Purchase Agreement or of any of its representations or warranties under this Lease-Purchase Agreement, (iii) any act or negligence of the Lessee or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property, (iv) any act or negligence of any sublessee of the Lessee with respect to the Leased Property, or (v) the acquisition and construction of the Leased Property, the execution and delivery of this Lease-Purchase Agreement, the Ground Lease, the Project Agreement and the Trust Agreement, and the execution, delivery and sale of the Certificates. No indemnification is made under this Section or elsewhere in this Lease-Purchase Agreement for claims successfully brought for willful misconduct, negligence, or breach of duty under this Lease-Purchase Agreement by the Lessor, the Certificate Insurer or their respective officers, agents, employees, successors or assigns. The indemnification made under this Section shall survive the termination or expiration of this Lease-Purchase Agreement and the redemption or defeasance of the Certificates.

ARTICLE VIII
ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1 **Assignment and Subleasing by the Lessee; Existing Lease-Purchase Agreement**. This Lease-Purchase Agreement may not be assigned by the Lessee. The Leased Property may be subleased through agreements in existence on the Closing Date and extensions and renewals thereof, and the Leased Property may be otherwise subleased only with the written consent of the Lessor and the Certificate Insurer, which consent shall not be unreasonably withheld, and subject to all of the following conditions:

(i) This Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments hereunder shall remain obligations of the Lessee;

(ii) The Lessee shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Certificate Insurer a true and complete copy of such sublease;

(iii) No such sublease by the Lessee shall cause any of the Leased Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State; and

(iv) The Lessee shall furnish the Lessor and the Certificate Insurer with a written opinion of Special Counsel, with respect to any such sublease, stating that such sublease shall not adversely affect the exclusion of the interest components of the Lease Payments from gross income for federal income tax purposes when paid to the Owners of the 2007-A Certificates.

Section 8.2 **Amendment of this Lease-Purchase Agreement**. Without the written consent of the Trustee and the Certificate Insurer, neither the Lessor nor the Lessee will alter, modify or cancel, or agree or consent to alter, modify or cancel this Lease-Purchase Agreement, excepting only such alteration or modification as may be permitted by Article X of the Trust Agreement.

ARTICLE IX
EVENTS OF DEFAULT AND REMEDIES

Section 9.1 **Events of Default Defined**. The following shall be "events of default" under this Lease-Purchase Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Lease-Purchase Agreement, with respect to the Leased Property, any one or more of the following events:

(i) Failure by the Lessee to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein, and the continuation of such failure for a period of two (2) days.

(ii) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Trust

Agreement or this Lease-Purchase Agreement, other than as referred to in clause (i) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, the Certificate Insurer or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, neither the Lessor, the Trustee, the Certificate Insurer nor such Owners shall unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

(iii) Any representation or warranty made by the Lessee hereunder shall be untrue in any material respect as of the date made;

(iv) The filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment or attachment, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of creditors, or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the federal bankruptcy statute, as amended, or under any similar acts which may hereafter be enacted.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Lessee is unable to perform or observe any agreement, term or condition of this Lease-Purchase Agreement, other than any obligation to make Lease Payments or Additional Rent required under this Lease-Purchase Agreement, the Lessee shall not be deemed in default during the continuance of such inability. However, the Lessee shall promptly give notice to the Lessor of existence of any event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strike or labor disturbances shall be entirely within the Lessee's discretion.

For the purpose of this subsection, the term "Force Majeure" shall mean, without limitation: Acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or any of its departments, agencies, political subdivisions, courts or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation.

Section 9.2 **Remedies on Default**. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, the Lessor may, subject to the Certificate Insurer's or Certificate Owner's rights provided in Section 9.7 hereof, exercise any and all remedies available pursuant to law or granted pursuant to this Lease-Purchase Agreement including, without limitation, excluding the Lessee from the Leased Property; provided, however, that notwithstanding anything herein or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or Additional Rent or

otherwise declare any Lease Payments or Additional Rent not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the Lessee is expressly made a condition and upon the breach thereof the Lessor may, subject to the Certificate Insurer's or Certificate Owner's rights provided in Section 9.7 hereof, exercise any and all rights of entry and re-entry upon or into the Leased Property and also, at its option, with or without such entry, may, subject to the Certificate Insurer's or Certificate Owner's rights provided in Section 9.7 hereof, terminate this Lease-Purchase Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default:

(a) In the event the Lessor does not elect to terminate this Lease-Purchase Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee to enter upon and take possession of the Leased Property, to the exclusion of the Lessee, and relet the Lessee's interests in the Leased Property in the event of default by the Lessee in the performance of any covenants herein contained to be performed by the Lessee and to remove all personal property not constituting Leased Property and to place such property in storage or other suitable place in the County of Pima, State of Arizona, for the account of and at the expense of the Lessee, and, to the extent permitted by law, the Lessee hereby exempts and agrees to save harmless the Lessor for, from and against any costs, loss or damage whatsoever arising or occasioned by any such entry upon and reletting of the Leased Property and the removal and storage of personal property by the Lessor or its duly authorized agents in accordance with the provisions herein contained. The Lessee hereby waives any and all claims for damages caused or which may be caused by the Lessor in reentering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the Lessee that may be in or upon the Leased Property.

The Lessee agrees that the terms of this Lease-Purchase Agreement constitute full and sufficient notice of the right of the Lessor to take possession of or re-rent the Leased Property in the event of such reentry without effecting a surrender of this Lease-Purchase Agreement, and further agrees that no acts of the Lessor in effecting such re-renting or re-leasing shall constitute a surrender or termination of this Lease-Purchase Agreement irrespective of the term for which such re-leasing or re-renting is made or the terms and conditions of such re-leasing or re-renting, or otherwise, but that, on the contrary, in the event of such default by the Lessee the right to terminate this Lease-Purchase Agreement shall vest in the Lessor to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof.

(b) In an event of default hereunder, the Lessor at its option may terminate this Lease-Purchase Agreement and sell, convey, re-rent, or re-lease all or any portion of its interests in the Leased Property any may exclude the Lessee therefrom. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Lessor shall of itself operate to terminate this Lease-Purchase Agreement and no termination of this Lease-Purchase Agreement on account of default by the Lessee shall be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the Lessee of the election on the part of the Lessor to terminate this Lease-Purchase Agreement. The Lessee covenants and agrees that no surrender of the

Leased Property or of the remainder of the term hereof or any termination of this Lease-Purchase Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. Additionally, to the extent permitted by law, the Lessee hereby exempts and agrees to save harmless the Lessor for, from and against any costs, loss or damage whatsoever arising or occasioned by any removal of the Leased Property by the Lessor or its duly authorized agents in accordance with the provisions contained in this Lease-Purchase Agreement.

Section 9.3 **No Remedy Exclusive**. No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease-Purchase Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 9.4 **Agreement to Pay Attorneys' Fees and Expenses**. In the event either party to this Lease-Purchase Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, to the extent permitted by law, the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.5 **No Additional Waiver Implied by One Waiver**. In the event any agreement contained in this Lease-Purchase Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6 **Application of Proceeds**. All Net Proceeds received from the sale, release or other disposition of the Leased Property under this Article IX, and all other amounts derived by the Lessor as a result of an event of default hereunder, shall be applied as provided in Section 13.3 of the Trust Agreement.

Section 9.7 **Trustee and Certificate Owners to Exercise Rights**. Such rights and remedies as are given to the Lessor under this Article IX shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement. Notwithstanding any of the foregoing, so long as the Certificate Insurer is not in default of its payment obligations under the Certificate Insurance Policy and such Certificate Insurance Policy is in effect, the Certificate Insurer, acting alone, shall have the sole right, subject to the Trustee's right to indemnification, as provided in Sections 9.01 and 9.02 of the Trust Agreement, to direct the Lessor or the Trustee to pursue any remedy provided for herein and the Lessor or the Trustee shall not pursue any remedy except with the prior written consent of the Certificate Insurer. The Lessor shall provide prompt notice to the Certificate Insurer of any event of default hereunder and shall not waive any event of default hereunder without the prior written consent of the Certificate Insurer.

ARTICLE X
PREPAYMENT OF LEASE PAYMENTS

Section 10.1 **Security Deposit**. Notwithstanding any other provision of this Lease-Purchase Agreement, the Lessee may on any date secure the payment of Lease Payments by a deposit with the Trustee of (i) an amount in cash which, in the judgment of the Trustee, together with amounts on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund is sufficient to pay all unpaid Lease Payments and Additional Rent, including the principal and interest components of Lease Payments, in accordance with the Lease Payment Schedule set forth in Exhibit C, or (ii) Defeasance Obligations, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant acceptable to the Trustee, together with interest to accrue thereon but without reinvestment thereof and, if required, all or a portion of moneys or Defeasance Obligations then on deposit in the Lease Payment Fund, be fully sufficient to pay all unpaid Lease Payments and Additional Rent on their respective due dates or by Prepayment thereof pursuant to Section 10.2 hereof, as the Lessee shall instruct at the time of said deposit. In the event of a deposit pursuant to this Section and upon the defeasance of all the Certificates pursuant to Section 14.1 of the Trust Agreement, all obligations of the Lessee under this Lease-Purchase Agreement (except those which survive termination of this Lease-Purchase Agreement), and all security provided by this Lease-Purchase Agreement for said obligations, shall cease and terminate, excepting only the obligations of the Lessee to make, or cause to be made, Lease Payments and Additional Rent from the deposit made by the Lessee pursuant to this Section, and if the Trust Agreement has been discharged, title to the Leased Property shall vest in the Lessee on the date of said deposit automatically and without further action by the Lessee or the Lessor. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments and Additional Rent in accordance with the provisions of this Lease-Purchase Agreement.

Section 10.2 **Purchase Option**. The Lessee may exercise its option to purchase all of the Leased Property on any Prepayment Date, by paying the applicable Prepayment Price as shown in Exhibit D, together with Additional Rent and the interest component of the Lease Payment required to be paid on such Prepayment Date to effect the redemption of Certificates pursuant to Section 4.2(a) of the Trust Agreement and a deposit described in Section 10.1 hereof sufficient to secure all unpaid Lease Payments necessary to provide for the payment of principal of and interest evidenced by the Certificates not subject to redemption or which are not being redeemed. Except as otherwise provided in the Trust Agreement, such Prepayment Price shall be deposited by the Trustee in the Lease Payment Fund to be applied to the redemption of Certificates pursuant to Section 4.2(a) of the Trust Agreement. The Lessee shall give the Trustee notice of its intention to exercise its option not less than forty-five (45) days in advance of the date of exercise.

Section 10.3 **Optional Prepayment**. The Lessee may prepay the Lease Payments, in whole or in part, at any time. Such Prepayments shall be deposited in the Lease Payment Fund and applied to the payment or redemption of Certificates as provided in Articles II and IV of the Trust Agreement or, if the Certificates are not subject to redemption at the time of such deposit, shall be applied as provided in Section 14.1 of the Trust Agreement to provide for the payment of Certificates as directed by the Lessee.

Section 10.4 **Mandatory Prepayment From Net Proceeds of Insurance, Eminent Domain**. The Lessee shall be obligated to prepay the Lease Payments allocable to the Leased Property, in whole or in part, on any June 15 or December 15, or the next succeeding Business Day if such date is not a Business Day, from and to the extent of any Net Proceeds of insurance award or condemnation awards with respect to the Leased Property theretofore deposited in the Lease Payment Fund for such purpose pursuant to Articles V, VI, IX or X hereof or pursuant to Section 7.2 of the Trust Agreement. The Lessee and the Lessor hereby agree that such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the Lessee's obligations under this Section and shall be applied to the mandatory redemption of Certificates required by Section 4.2(b) of the Trust Agreement.

Section 10.5 **Credit for Amounts on Deposit**. In the event of Prepayment of the principal components of the Lease Payments and Additional Rent in full under this Article X, such that the Trust Agreement shall be discharged by its terms as a result of such Prepayment, all amounts then on deposit in the Lease Payment Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE XI
MISCELLANEOUS

Section 11.1 **Notices**. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received upon deposit in the United States mail postage prepaid, except that notice to the Lessor or the Trustee shall be effective only upon receipt by an officer of the Lessor or the Trustee, respectively, responsible for the performance of the duties and obligations created under this Lease-Purchase Agreement:

If to the Lessee:

Pima County, Arizona
130 West Congress, 6th Floor
Tucson, Arizona 85701
Attention: Finance and Risk Management Director

If to the Lessor or the Trustee:

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

If to the Certificate Insurer:

Ambac Assurance Corporation
One State Street Plaza, 12th Floor
New York, New York 10004
Attention: General Counsel

The Lessor, the Lessee, the Trustee and the Certificate Insurer, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2 Binding Effect. This Lease-Purchase Agreement shall inure to the benefit of and shall be binding upon the Lessor and the Lessee and their respective successors and assigns.

Section 11.3 Severability. In the event any provision of this Lease-Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4 Net-net-net Lease-Purchase Agreement. This Lease-Purchase Agreement shall be deemed and construed to be a "net-net-net Lease-Purchase Agreement" and the Lessee hereby agrees that the Lease Payments shall be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, irrespective of any defense or any right of recoupment or counterclaim which the Lessee may have against the Lessor or the Trustee.

Section 11.5 Further Assurances and Corrective Instruments. The Lessor and the Lessee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be for carrying out the expressed intention of this Lease-Purchase Agreement.

Section 11.6 Execution in Counterparts. This Lease-Purchase 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 instrument.

Section 11.7 Applicable Law. This Lease-Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.8 Lessor and Lessee Representatives. Whenever under the provisions of this Lease-Purchase Agreement the approval of the Lessor or the Lessee is required, or the Lessor or the Lessee is required to take some action at the request of the other, such approval or such request shall be given for the Lessor by a Lessor Representative and for the Lessee by a Lessee Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.9 Captions. The captions or headings in this Lease-Purchase Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease-Purchase Agreement.

Section 11.10 Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes Section 38-511, as amended, notice is hereby given that the Lessee may cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on

behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee 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 Lessee's Board of Supervisors is received by all other parties to the contract unless the notice specifies a later time. All parties represent that to the best of their knowledge, no basis exists for the Lessee to cancel this Lease-Purchase Agreement pursuant to Arizona Revised Statutes Section 38-511 as of the date hereof. The Lessor covenants not to employ as an employee, an agent or, with respect to the subject matter of this Lease-Purchase Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Lease-Purchase Agreement on behalf of the Lessee within 3 years from execution of this Lease-Purchase Agreement, unless a waiver of A.R.S. § 38-511 is provided by the Lessee's Board of Supervisors.

Section 11.11 <u>Certificate Insurance Provisions</u>.

(a) So long as the Certificate Insurer is not in default of any of its obligations pursuant to the Certificate Insurance Policy, the provisions of this Section 11.11 will apply.

(b) Any provision of this Lease-Purchase Agreement to the contrary notwithstanding, if, under any provision hereof, any action is to be taken only with the consent or approval of the Certificate Insurer and if at the time such consent or approval would otherwise be called for the Certificate Insurer is in default of its payment obligation pursuant to the terms of the Certificate Insurance Policy or the Certificate Insurance Policy is no longer in effect, then the consent or approval of the Certificate Insurer shall not be required.

(c) No consent or waiver granted or given by the Lessor hereunder will be valid or binding without the prior written consent of the Certificate Insurer thereto and no amendment shall be made hereto without the prior written consent of the Certificate Insurer.

(d) The Lessee will furnish to the Certificate Insurer (to the attention of the Surveillance Department, unless otherwise directed):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the County and a copy of any audit and/or annual report of the County,

(ii) a copy of any notice given to the Owners of the 2007 Certificates by the Lessee or the Lessor, including, without limitation, notice of any redemption of or defeasance of the 2007 Certificates, and any certificate rendered pursuant to this Lease-Purchase Agreement relating to the security for the 2007 Certificates, and

(iii) such additional information as the Certificate Insurer may reasonably request.

(e) The Lessor shall notify the Certificate Insurer of any failure of the Lessee to provide to Lessor relevant notices, certificates or other documents required hereunder.

(f) The Lessee will permit the Certificate Insurer to discuss the affairs, finances and accounts of the Lessee, or any information the Certificate Insurer may reasonably request regarding security for the 2007 Certificates, with appropriate officers of the Lessee. The Lessee

will permit the Certificate Insurer to have access to the Leased Property and to make copies of all books and records relating to the 2007 Certificates at any reasonable time.

(g) The Certificate Insurer will have the right to direct an accounting with respect to the Leased Property and the books and records of the Lessee pertaining thereto, to the extent funds are available for such purpose, at the Lessee's expense and, assuming moneys are budgeted and available for such purpose, the Lessee's failure to provide such accounting within thirty (30) days following receipt of written notice of the direction therefor shall be deemed a default hereunder; provided, however, that if such accounting cannot practicably be provided within such period, then such period will be extended so long as the accounting is begun during such period and thereafter diligently pursued, but only if such extension would not materially adversely affect the interests of the Owners of the 2007 Certificates.

(h) To the extent the Lessee has executed a continuing disclosure undertaking with respect to the 2007 Certificates, the Certificate Insurer shall be provided with a copy of each annual report and any material event notice filed pursuant thereto.

(i) To the extent this Lease confers upon or gives or grants to the Certificate Insurer any right, remedy or claim pursuant hereto or by reason hereof, the Certificate Insurer is hereby expressly recognized as being a third-party beneficiary hereof and may enforce such right, remedy or claim conferred, given or granted hereby.

(j) Subject to Sections 4.2 and 4.4 hereof, the Lessee hereby covenants and agrees that it shall reimburse the Certificate Insurer for any amounts paid under the Certificate Insurance Policy and all costs of collection thereof and enforcement of this Lease-Purchase Agreement and any other documents executed in connection with this Lease-Purchase Agreement, together with interest thereon, from the date paid or incurred by the Certificate Insurer until payment thereof in full by the Lessee, payable at the Certificate Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Certificate Insurer in respect of interest on the 2007 Certificates. Such payment obligation shall be payable on demand from the same sources and secured by the same security as, regularly scheduled principal and interest payments represented by the 2007 Certificates. For purposes of the foregoing, "Certificate Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the 2007 Certificates and (ii) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. ("Chase") at its principal office in the City of 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 Chase) plus 3 percent. The Certificate Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Certificate Insurer shall specify.

[Signature page to follow]

IN WITNESS WHEREOF, the Lessor has caused this Lease-Purchase Agreement to be executed in its corporate name by its duly authorized officers, and the Lessee has caused this Lease-Purchase Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION, as Trustee, as Lessor

By: _____
Assistant Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

IN WITNESS WHEREOF, the Lessor has caused this Lease-Purchase Agreement to be executed in its corporate name by its duly authorized officers, and the Lessee has caused this Lease-Purchase Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION, as Lessor

By: _____
Assistant Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

STATE OF ARIZONA)
) ss.
County of Pima)

On this, April 26, 2007, before me, the undersigned Notary Public, personally appeared Deborah M. Scherer, who acknowledged herself to be an Assistant Vice President of U.S. Bank National Association, a national association, and that she, as such officer, being authorized so to do, executed the foregoing Lease-Purchase Agreement for the purposes therein contained by signing the name of the association by herself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Jean E. Reynolds
Notary Public

My Commission Expires:
August 15, 2008

OFFICIAL SEAL
JEAN E. REYNOLDS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Expires Aug. 15, 2008

STATE OF ARIZONA)
) ss.
County of Pima)

On this, April 27, 2007, before me, the undersigned Notary Public, personally appeared Richard Elías, who acknowledged himself to be Chairman of the Pima County, Arizona Board of Supervisors, and that he, as such officer, being authorized so to do, executed the foregoing Lease-Purchase Agreement for the purposes therein contained by signing the name of said county by himself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Donna Tobias
Notary Public

My Commission Expires:

12-20-08

OFFICIAL SEAL
DONNA TOBIAS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Exp. Dec. 20, 2008

EXHIBIT A

DESCRIPTION OF SITE

(See attached pages)

Exhibit A

Parcel 1:

A Leasehold Estate in and to the following:

All of Lots 1, 2, 5, 6 and 7 and all that portion of Lot 8 in Block 196 of THE CITY OF TUCSON, Pima County, Arizona, according to the official field notes, map and survey, made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 8;
Thence Westerly along the North line of said Lot, 7 feet to a point;
Thence Southerly and parallel to the East line of said Lot, 7 feet to a point;
Thence Easterly and parallel with the North line of said Lot, 7 feet to a point on the East line of said lot;
Thence Northerly 7 feet to the PLACE OF BEGINNING.

EXCEPTING from said Lot 7, that portion thereof described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
West by the West line of Block 196; and
on the Southeast by the arc of a circle of radius 25 feet, concave to the Southeast and tangent to the North and West line of said three-sided parcel.

AND FURTHER EXCEPTING THEREFROM that portion of Lot 1 conveyed to the City of Tucson, a Municipal Corporation, by Deed recorded in Docket 4976, Page 527, described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
East by the East line of Block 196; and
Southwest by the arc of a circle of radius 25 feet, concave to the Southwest and tangent to the North and East line of said three-sided parcel.

PARCEL NO. 2:

Those rights and easements for parking, vehicular and pedestrian ingress and egress set forth in an Easement and Use Agreement dated September 22, 1976 and recorded September 30, 1976 in Docket 5368, Page 754.

Affecting all those parts of Lots 4 and 5 of Block 194 of the City of Tucson, Pima County, Arizona, according to the official field notes, map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 4;

Thence South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 4, a distance of 130.29 feet to the Northwest corner of said Lot 4;

Thence continuing South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 5, a distance of 25.22 feet to the Northeast corner of that parcel conveyed by Deed of Record in said office of the County Recorder in Book 205 of Deeds at Page 381;

Thence South 10 degrees 00 minutes 22 seconds East, along the East line of said parcel, 227.56 feet to a point in the North Wall of the Pioneer Pool and Patio Deck;

Thence North 77 degrees 21 minutes 47 seconds East, along said North wall, 24.91 feet to a point in the West line of said Lot 4 of Block 194, which point is South 10 degrees 00 minutes 22 seconds East along said West line, 222.33 feet from the Northwest corner of said Lot 4;

Thence North 76 degrees 31 minutes 31 seconds East, along said North wall 129.95 feet to a point in the East line of said Lot 4;

Thence North 10 degrees 20 minutes 37 seconds West along said East line, 193.36 feet to the POINT OF BEGINNING.

EXHIBIT B

DESCRIPTION OF IMPROVEMENTS

The Improvements consist generally of improvements to the office tower being acquired on the Site to make it better suited to County use needs, including, without limitation, new chillers for the utility system, upgraded elevators in the building, telecommunications systems linking the building into the County's computer and telephone system, and remodeling to accommodate County office use.

EXHIBIT C

SCHEDULE OF LEASE PAYMENTS

The following are the Lease Payments to be paid pursuant to the Lease-Purchase Agreement.

SERIES 2007-A

Date	Principal Component	Interest Component	Total Lease Payments
December 15, 2007		$898,600.00	$898,600.00
June 15, 2008		673,950.00	673,950.00
December 15, 2008		673,950.00	673,950.00
June 15, 2009	$1,235,000.00	673,950.00	1,908,950.00
December 15, 2009		649,250.00	649,250.00
June 15, 2010	1,610,000.00	649,250.00	2,259,250.00
December 15, 2010		617,050.00	617,050.00
June 15, 2011	1,675,000.00	617,050.00	2,292,050.00
December 15, 2011		583,550.00	583,550.00
June 15, 2012	1,740,000.00	583,550.00	2,323,550.00
December 15, 2012		548,750.00	548,750.00
June 15, 2013	1,810,000.00	548,750.00	2,358,750.00
December 15, 2013		510,287.50	510,287.50
June 15, 2014	1,890,000.00	510,287.50	2,400,287.50
December 15, 2014		470,125.00	470,125.00
June 15, 2015	1,970,000.00	470,125.00	2,440,125.00
December 15, 2015		420,875.00	420,875.00
June 15, 2016	2,065,000.00	420,875.00	2,485,875.00
December 15, 2016		369,250.00	369,250.00
June 15, 2017	2,170,000.00	369,250.00	2,539,250.00
December 15, 2017		315,000.00	315,000.00
June 15, 2018	2,280,000.00	315,000.00	2,595,000.00
December 15, 2018		258,000.00	258,000.00
June 15, 2019	2,395,000.00	258,000.00	2,653,000.00
December 15, 2019		198,125.00	198,125.00
June 15, 2020	2,515,000.00	198,125.00	2,713,125.00
December 15, 2020		135,250.00	135,250.00
June 15, 2021	2,640,000.00	135,250.00	2,775,250.00
December 15, 2021		69,250.00	69,250.00
June 15, 2022	2,770,000.00	69,250.00	2,839,250.00
Total	$28,765,000.00	$13,209,975.00	$41,974,975.00

SERIES 2007-B

Date	Principal Component	Interest Component	Total Lease Payments
December 15, 2007		$53,742.00	$53,742.00
June 15, 2008	$1,245,000.00	40,306.50	1,285,306.50
December 15, 2008		7,812.00	7,812.00
June 15, 2009	310,000.00	7,812.00	317,812.00
Total	$1,555,000.00	$109,672.50	$1,664,672.50

EXHIBIT D

SCHEDULE OF PREPAYMENT DATES AND PRICES

With respect to the 2007-A Certificates:

Prepayment Date: Shall mean any date.

Prepayment Price: Shall mean, (i) if prior to July 1, 2017, either (A) cash in an amount equal to the principal amount represented by the 2007-A Certificates to be redeemed, together with the interest payable with respect thereto through July 1, 2017, or (B) Permitted Investments maturing at times and in amounts sufficient to prepay the principal amount represented by the 2007-A Certificates to be redeemed, together with the interest payable with respect thereto through July 1, 2017, or, (ii) if after July 1, 2017, cash sufficient to pay the principal amount represented by the 2007-A Certificates to be redeemed and any accrued interest with respect thereto to the first redemption date for which timely notice of prepayment can be given.

With respect to the 2007-B Certificates:

Prepayment Date: Shall mean any date.

Prepayment Price: Shall mean either (A) cash in an amount equal to the principal amount represented by the 2007-B Certificates with respect to which such prepayment is being made, together with the interest payable with respect to such principal through the respective maturity dates of such principal amount, or (B) Permitted Investments maturing at times and in amounts sufficient to pay the principal amount represented by the 2007-B Certificates with respect to which such prepayment is being made, together with the interest payable with respect to such principal through the respective maturity dates of such principal amount.

When recorded return to:

Timothy E. Pickrell, Esq.
Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue, 27th Floor
Phoenix, Arizona 85004
(602) 528-4000

Exemption Claimed:
A.R.S. Section 42-1614.B.1.

TRUST AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

and

PIMA COUNTY, ARIZONA

as Lessee

Dated as of May 1, 2007

relating to

$30,320,000
Pima County, Arizona
Certificates of Participation, Series 2007
(Justice Building Project)

Comprised of
$28,765,000 Series 2007-A
And
$1,555,000 Taxable Series 2007-B

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TRUST AGREEMENT

THIS TRUST AGREEMENT (the "Trust Agreement"), dated as of May 1, 2007, by and between U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee" or "Lessor"), and PIMA COUNTY, ARIZONA, (the "Lessee" or the "County");

RECITALS

WHEREAS, pursuant to a Ground Lease (as defined herein), the County has leased to the Trustee certain real property and appurtenant parking easement situated in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit B hereto (the "Site") and all improvements thereon existing at the time of execution of the Ground Lease (the "Existing Facility"); and

WHEREAS, pursuant to the Project Agreement (as defined herein), the Trustee has agreed to cause the acquisition, construction and equipping of certain improvements related to the Site and the Existing Facility, as more fully described on Exhibit C hereto (the "Improvements"); and

WHEREAS, the Trustee, as lessor, and the County, as lessee, have entered into a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), whereby the Trustee has agreed to lease the Site, the Existing Facility and the Improvements (collectively, the "Leased Property") to the Lessee, and the Lessee has agreed to lease the Leased Property from the Trustee, pursuant to the terms thereof; and

WHEREAS, in order to finance (i) the acquisition of the Site and the Existing Facility, (ii) the acquisition, construction and equipping of the Improvements, and (iii) the construction and equipping of certain replacement facilities for the County's Community Services Department on a parcel of real property presently owned the County and located in the City of South Tucson, Pima County, Arizona, the Trustee is executing and delivering $30,320,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Series 2007 (the "2007 Certificates"), comprised of $28,765,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Series 2007-A, and $1,555,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Taxable Series 2007-B, representing the undivided proportionate interests of the owners thereof in the Lease-Purchase Agreement and the lease payments to be made by the Lessee pursuant hereto (the "Lease Payments"), pursuant to this Trust Agreement:

GRANTING CLAUSES

NOW, THEREFORE, in order to secure (i) all Certificates (as such term and all other undefined terms hereafter used are hereinafter defined) executed and delivered and outstanding under this Trust Agreement, (ii) the payment of principal thereof and interest thereon, (iii) the rights of the Owners of the Certificates and the performance and observance of the covenants and conditions contained in the Certificates, the Lease-Purchase Agreement and herein, and (iv) after payment of Lease Payments and Prepayments, the Trustee and its successors and assigns is hereby directed to acquire, to receive and to hold as security for the Owners of the Certificates,

and does hereby declare an irrevocable trust and acknowledge its acceptance of all right, title and interest in and to, the following described property:

GRANTING CLAUSE FIRST

All right, title and interest of the Lessor in and to the Leased Property, including pursuant to the Ground Lease; subject, however, to the rights of the Lessee under the Lease-Purchase Agreement.

GRANTING CLAUSE SECOND

All right, title and interest of the Lessor in and to the Ground Lease and the Lease-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 revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement thereof, and (iii) do any and all things which the Lessor is or may become entitled to do thereunder; provided that this clause shall not transfer, impair or diminish any right of the Lessor under any of the assigned instruments for indemnification, reimbursement of fees, costs and expenses or to receive notices or approve amendments.

GRANTING CLAUSE THIRD

All right, title and interest of the Lessor in and to amounts on deposit from time to time in the funds and accounts created pursuant hereto (other than the Rebate Fund), subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein.

GRANTING CLAUSE FOURTH

All rights held by the Trustee hereunder shall be administered according to the provisions of this Trust Agreement and for the equal and proportionate benefit of the Owners of Certificates.

ARTICLE I
DEFINITIONS

Section 1.1 **Definitions**. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

"2007 Certificates" shall mean, collectively, the 2007-A Certificates and the 2007-B Certificates.

"2007-A Certificates" shall mean the $28,765,000 aggregate principal amount of Certificates of Participation, Series 2007-A, to be executed and delivered pursuant hereto.

"2007-B Certificates" shall mean the $1,555,000 aggregate principal amount of Certificates of Participation, Taxable Series 2007-B, to be executed and delivered pursuant hereto.

"Additional Certificates" shall mean any certificates executed and delivered pursuant to Section 2.11 hereof.

"Additional Rent" shall mean any payments to be made pursuant to Section 4.7 of the Lease-Purchase Agreement in addition to Lease Payments.

"Aggregate Value" shall mean with respect to the Certificates, the Outstanding principal amount thereof.

"Bankruptcy Code" shall mean the Bankruptcy Reform Act of 1978, as amended (Title 11 of the United States Code, as amended).

"Beneficial Owner" shall have the meaning provided in Section 2.12 hereof.

"Business Day" shall mean a day of the year other than (a) a Saturday or Sunday or (b) a day on which banking institutions located in the city designated by the Trustee for the presentation and payment of Certificates are required or authorized to remain closed or (c) a day on which the Certificate Insurer is closed.

"Certificate Insurance Policy" shall mean, as applicable, (a) with respect to the 2007 Certificates, the financial guaranty insurance policy issued by Ambac Assurance Corporation, insuring payment of the principal of and interest with respect to the 2007 Certificates, and (b) with respect to Additional Certificates, the insurance policy issued by the Certificate Insurer therefor, insuring payment of the principal of and interest with respect to such Additional Certificates.

"Certificate Insurer" shall mean, as applicable, (a) with respect to the 2007 Certificates, Ambac Assurance Corporation, and (b) with respect to Additional Certificates, the issuer of the Certificate Insurance Policy therefor.

"Certificates" shall mean, collectively, the 2007 Certificates and any Additional Certificates executed and delivered pursuant hereto.

"Closing Date" shall mean, with respect to the 2007 Certificates, the day when the 2007 Certificates, duly executed by the Trustee, are delivered to the Original Purchaser, and with respect to any other series of Certificates, the day when the Certificates of such series, duly executed by the Trustee, are delivered to the initial purchasers thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

"Community Services Department Facilities" shall mean the replacement facilities for the County's Community Services Department on a parcel of real property presently owned the County and located in the City of South Tucson, Pima County, Arizona.

"Community Services Department Facilities Account" shall mean the account of the Project Fund by that name established and held by the Trustee pursuant to Section 3.1 hereof.

"Defeasance Obligations" means (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the following clause) and (ii) obligations of, or obligations guaranteed as to principal and interest by, the United Stated of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including (A) United States Treasury obligations, including State and Local Government Series, and (B) all direct or fully guaranteed obligations of the Farmers Home Administration, General Services Administration, Guaranteed title XI financing, and Government National Mortgage Association (GNMA). Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"Delivery Costs" shall mean all items of expense directly or indirectly payable by or reimbursable to the Lessee or the Lessor relating to the execution, sale and delivery of the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, this Trust Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and the Lessor, legal fees and charges, accountants' verification fees, insurance fees and charges, premiums for title insurance, the premiums for the Certificate Insurance Policy, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and any other costs, expenses, fees and charges in connection with the foregoing.

"Delivery Costs Fund" shall mean the fund by that name established and held by the Trustee pursuant to Section 3.2 hereof.

"DTC" shall mean The Depository Trust Company, New York, New York, and any successor corporation.

"DTC Participant" shall mean those broker-dealers, banks and other financial institutions reflected on the books of DTC as holding beneficial interests in the Certificates.

"Electronically" or "Electronic" notice shall mean notice transmitted through a time sharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

"Event of Bankruptcy" shall mean the commencement of a case by or against the Lessee under the Bankruptcy Code or under any other domestic bankruptcy act or any similar act which hereafter may be enacted (other than such proceedings initiated by the Lessee against third parties other than the Lessee), unless such case shall have been dismissed and such dismissal shall be final and not subject to appeal.

"Event of Default" shall mean (i) an event of default under the Lease-Purchase Agreement, as defined in Section 9.1 thereof, (ii) if the Lease-Purchase Agreement has terminated pursuant to subsection (b) of Section 4.2 thereof and not been reinstated pursuant to subsection (c) of Section 4.2 thereof, or (iii) the failure of the Trustee to receive from Lessee an

amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due.

"Existing Facility" shall mean all improvements located on the Site on the date hereof, including the office tower and all related real and personal property.

"Fiscal Period" shall mean a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period which may be established hereafter as the fiscal year of the Lessee for budgeting and appropriation purposes.

"Improvements" shall mean the improvements to be constructed on the Site and all related property, improvements, equipment and facilities financed with the proceeds of sale of the 2007 Certificates, as described in Exhibit C hereto.

"Improvements Account" shall mean the account of the Project Fund by that name established and held by the Trustee pursuant to Section 3.1 hereof.

"Independent Counsel" shall mean 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 Lessor, the Trustee or the Lessee.

"Insurance and Condemnation Fund" shall mean the fund by that name established and held by the Trustee pursuant to Article VII hereof.

"Interest Payment Date" shall mean each of the dates specified in Section 2.3 hereof on which interest is due and payable with respect to the Certificates or the next succeeding Business Day if such date is not a Business Day.

"Justice Building Acquisition Account" shall mean the account of the Project Fund by that name established and held by the Trustee pursuant to Section 3.1 hereof.

"Lease-Purchase Agreement" or "Lease" shall mean the Lease-Purchase Agreement, dated as of May 1, 2007, by and between the Lessee and the Lessor, together with any duly authorized and executed amendment thereto.

"Lease Payment" shall mean all payments required to be paid by the Lessee on any date pursuant to Section 4.4(a) of the Lease-Purchase Agreement and as set forth in Exhibit C to the Lease-Purchase Agreement.

"Lease Payment Fund" shall mean the fund by that name established and held by the Trustee pursuant to Article V hereof.

"Leased Property" shall mean, collectively, the Site, the Existing Facility and the Improvements.

"Lessee" shall mean Pima County, Arizona.

"Lessee Representative" shall mean the Chairman of the Board of Supervisors of the Lessee, the County Administrator of the Lessee, the Director of Finance of the Lessee or the designee of any of them, or any other person authorized by resolution of the Lessee to act on behalf of the Lessee under or with respect to this Trust Agreement and the Lease-Purchase Agreement.

"Lessor" shall mean U.S. Bank National Association, as Trustee, and its successors and assigns hereunder and under the Lease-Purchase Agreement.

"Moody's" shall mean Moody's Investors Service or any successor nationally recognized securities rating agency.

"Net Proceeds" shall mean any insurance proceeds (other than proceeds of any insurance policy maintained pursuant to Section 5.3 of the Lease-Purchase Agreement) or condemnation award in excess of $100,000, paid with respect to the Leased Property, or any proceeds resulting from the sale of the Leased Property pursuant to Section 9.2(b) of the Lease-Purchase Agreement, remaining after payment therefrom of all expenses incurred in the collection thereof.

"Original Purchaser" shall mean RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as original purchaser of the 2007 Certificates.

"Outstanding", when used with reference to the Certificates, shall mean, as of any date of determination, all Certificates theretofore executed and delivered except:

(a) Certificates theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Subject to Section 14.15 hereof, Certificates which are deemed paid and no longer Outstanding as provided herein;

(c) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions hereof relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and

(d) For the purposes described in Section 10.3 hereof, the Certificates described in said Section 10.3.

"Owner" or "Certificate Owner" or "Owner of a Certificate", or any similar term, when used with respect to a Certificate shall mean the person in whose name such Certificate shall be registered.

"Paying Agent shall mean the Trustee.

"Permitted Encumbrances" shall mean, as of any particular time (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the Lessee may, pursuant to provisions of Article V of the Lease-Purchase Agreement, permit to remain unpaid, (ii) the Lease-Purchase Agreement, (iii) the Ground Lease, (iv) this Trust Agreement, (v) easements,

leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions o restrictions which exist as of the Closing Date and which the Lessee certifies in writing will not materially impair the use of the Leased Property for purposes of the Lease-Purchase Agreement or the security granted to the Trustee in this Trust Agreement, and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor, the Lessee and the Certificate Insurer consent in writing.

"Permitted Investments" shall mean and include (to the extent permitted by law):

(a) Defeasance Obligations.

(b) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: (A) the Export Import Bank of the United States, (B) the Rural Economic Community Development Administration (formerly the Farmers Home Administration), (C) the U.S. Maritime Administration, (D) the Small Business Administration, (E) the U.S. Department of Housing and Urban Development (PHA's), (F) the Federal Housing Administration, and (G) the Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or the Freddie Mac, (B) obligations of the Resolution Funding Corporation (REFCORP), (C) senior debt obligations of the Federal Home Loan Bank System, and (D) senior debt obligations of other government-sponsored agencies approved by the Certificate Insurer.

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's, and which matures not more than 270 days after the date of purchase.

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(g) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(h) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P or Moody's or any successors thereto, or

(i) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of obligations described in clause (B) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally-recognized independent certified public accountant or firm of such accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity or redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(j) General obligations of any state of the United States of America rated at least "A2/A" or higher by both S&P and Moody's.

(k) Investment agreements and other forms of investments, including repurchase agreements, approved in writing by the Certificate Insurer (in the case of investment agreements, with appropriate opinions of counsel) with notice to S&P.

(l) Such other investments as are approved in writing by the Certificate Insurer.

"Prepayment" shall mean any payment applied towards the prepayment of the Lease Payments, in whole or in part, pursuant to Article X of the Lease-Purchase Agreement.

"Project Agreement" shall mean the Project Agreement, dated as of May 1, 2007, between the Lessee and the Lessor, together with any amendment thereof or supplement thereto permitted by the Trust Agreement.

"Project Costs" shall mean the price paid or to be paid by the Lessor to cause the acquisition and construction of the Leased Property in accordance with the Project Agreement and the acquisition and construction of the Community Services Department Facilities, together with all other costs and expenses incidental to such acquisition and construction.

"Project Fund" shall mean the fund by that name established and held by the Trustee pursuant to Section 3.1 hereof.

"Rebate Fund" shall mean the fund created by Section 8.8(b) hereof.

"Register" shall mean the registration books maintained by the Trustee pursuant to Section 2.10 hereof.

"Registrar" shall mean the Trustee.

"Regular Record Date" shall mean the close of business on the fifteenth day of the month preceding an Interest Payment Date, whether or not such fifteenth day is a Business Day.

"S&P" shall mean Standard & Poor's Rating Group or any successor nationally recognized securities rating agency.

"Site" shall mean that certain real property and appurtenant parking easement situated in Pima County, Arizona, as more fully described in Exhibit B hereto.

"Special Counsel" shall mean any law firm, acceptable to the Lessee Representative and the Certificate Insurer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

"Special Interest Payment Date" shall mean the Business Day established by the Trustee for the payment of overdue interest on the 2007 Certificates pursuant to the third paragraph of Section 2.2 hereof.

"Special Record Date" shall mean the Business Day established by the Trustee for determination of the registered Owners entitled to receive overdue interest on the 2007 Certificates pursuant to the third paragraph of Section 2.2 hereof.

"State" shall mean the State of Arizona.

"Tax Compliance Certificate" shall mean any agreement or certificate of the Lessee which the Lessee may execute in order to establish and maintain the exclusion from gross income for federal income tax purposes of the interest component of the Lease Payments payable with respect to the 2007-A Certificates.

"Term of the Lease-Purchase Agreement" shall mean the time during which the Lease-Purchase Agreement is in effect, as provided in Section 4.2 of the Lease-Purchase Agreement.

"Trust Agreement" shall mean this Trust Agreement, together with any duly authorized and executed amendments or supplements hereto.

"Trustee" shall mean U.S. Bank National Association, or any successor thereto acting as Trustee pursuant to this Trust Agreement.

Section 1.2 **Authorization**. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.3 **Interpretation**.

(a) Any reference herein to the Lessor, Trustee or Lessee or any officer thereof 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) Any terms not defined herein, but defined in the Lease-Purchase Agreement shall have the same meaning herein.

(d) 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.

(e) Words importing the redemption of a Certificate or the calling of a Certificate for redemption do not mean or include the payment of a Certificate at its stated maturity or the purchase of a Certificate.

ARTICLE II
THE 2007 CERTIFICATES; ADDITIONAL CERTIFICATES

Section 2.1 **Authorization**.

(a) The Trustee is hereby authorized and directed to prepare, execute and deliver, to the Original Purchaser, 2007 Certificates in an aggregate principal amount of $30,320,000, comprised of $28,765,000 aggregate original amount of 2007-A Certificates and $1,555,000 aggregate original amount of 2007-B Certificates, evidencing proportionate ownership interests in the Lease Payments and the Prepayments.

(b) Except as provided in Section 2.11 hereof, the Trustee shall not at any time while the Certificates are Outstanding execute and deliver additional certificates payable from the Lease Payments and secured by a lien and charge upon the Leased Property on a parity with or prior to the lien and charge securing the Outstanding Certificates hereunder.

Section 2.2 **General Terms of 2007 Certificates**. The 2007 Certificates shall be executed and delivered only in fully registered form, without coupons, and shall be numbered from one upwards, in the order of their execution, with any other designation as the Trustee deems appropriate. The 2007 Certificates shall be subject to redemption prior to their specified principal payment dates as provided in Article IV hereof.

Each 2007 Certificate shall bear the dated date of May 1, 2007, and shall also bear the date of its execution and interest with respect thereto shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless (i) it is executed prior to January 1, 2008, in which event interest with respect thereto shall be payable from May 1, 2007, (ii) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such date of execution, or (iii) it is executed after a Regular Record Date and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; provided, however, that if, as of the date of execution of any 2007 Certificate, interest is in default with respect to any Outstanding 2007 Certificates, interest with respect to such 2007 Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding 2007 Certificates, or, if prior to January 1, 2008, interest shall be payable from May 1, 2007, unless it is executed after a Special Record Date and before the following Special Interest Payment Date, in which event interest with respect thereto shall be payable from the scheduled Interest Payment Date next preceding such date of execution.

Payment of interest on any 2007 Certificate on any Interest Payment Date or any Special Interest Payment Date shall be made to the person appearing on the Register as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date or, if applicable, the Special Record Date immediately preceding such Special Interest Payment Date. Such interest shall be paid by (i) check or draft mailed to such Owner at his address as it appears on the Register or at such other address as he may have filed with the Trustee for that purpose, or (ii) to any Owner of $1,000,000 or more in aggregate principal amount of 2007 Certificates, as of the close of business of the Trustee on the Regular Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a Special Interest Payment Date, by wire transfer in immediately available funds sent on the Interest Payment Date or Special Interest Payment Date, as the case may be, to any bank or trust company in the continental United States, in accordance with written notice from such Owner containing the wire transfer address, which written notice is received not later than five (5) days before the Regular Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for any Special Interest Payment Date, it being understood that such notice may refer to multiple interest payments.

In the event there are insufficient funds available on any Interest Payment Date to pay the interest then due on the 2007 Certificates, the Regular Record Date shall no longer be applicable with respect to the 2007 Certificates. If sufficient funds for the payment of such interest thereafter become available, the Trustee shall immediately establish a Special Interest Payment Date for the payment of the overdue interest and a Special Record Date for determining the Owners entitled to such payments. Notice of the establishment of any such Special Interest Payment Date and Special Record Date shall be mailed by the Trustee to each Owner not less than ten (10) days prior to the Special Record Date nor more than thirty (30) days prior to the Special Interest Payment Date. Such overdue interest shall be paid on the Special Interest Payment Date to the Owners of the 2007 Certificates as of the Special Record Date.

Section 2.3 **Maturity; Interest Rates**.

(a) The 2007 Certificates of each series shall be in the denomination of $5,000 or any integral multiple thereof (except that no 2007 Certificate may have principal maturing in more than one year) and shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

2007-A Certificates

Maturity Date (July 1)	Amount	Interest Rate
2009	$1,235,000	4.000%
2010	1,610,000	4.000
2011	1,675,000	4.000
2012	1,740,000	4.000
2013	1,810,000	4.250
2014	1,890,000	4.250
2015	1,970,000	5.000
2016	2,065,000	5.000
2017	2,170,000	5.000
2018	2,280,000	5.000
2019	2,395,000	5.000
2020	2,515,000	5.000
2021	2,640,000	5.000
2022	2,770,000	5.000

2007-B Certificates

Maturity Date (July 1)	Amount	Interest Rate
2008	$1,245,000	5.220%
2009	310,000	5.040

(b) Interest with respect to the 2007 Certificates shall be payable on January 1, 2008, and thereafter semiannually on January 1 and July 1 of each year to and including the date of maturity or redemption, whichever is earlier. Said interest shall represent the portion of Lease Payments designated as interest and coming due during the six (6) month (or, with respect to the first Interest Payment Date, eight (8) month) period preceding each Interest Payment Date with respect to the 2007 Certificates. The proportionate share of the portion of Lease Payments designated as interest with respect to any 2007 Certificate shall be computed by multiplying the portion of Lease Payments designated as principal with respect to such 2007 Certificate by the rate of interest applicable to such 2007 Certificate (on the basis of a 360-day year of twelve 30-day months).

Section 2.4 **Form of the 2007 Certificates**. The 2007 Certificates shall be in fully registered form without coupons. The fully registered form of the 2007-A Certificates and the assignment to appear thereon shall be substantially in the forms set forth in Exhibit A-1 attached

hereto and by this reference incorporated herein and the fully registered form of the 2007-B Certificates and the assignment to appear thereon shall be substantially in the forms set forth in Exhibit A-2 attached hereto, in each case with such necessary or appropriate variations, omissions and insertions.

Section 2.5 **Execution**. The 2007 Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If any officer whose signature appears on any 2007 Certificate ceases to be such officer before the date of delivery thereof, such signature shall nevertheless be as effective as if the officer had remained in office until such date of delivery. Any 2007 Certificate may be executed on behalf of the Trustee by such person as at the actual date of the execution of such 2007 Certificate shall be the proper officer of the Trustee although at the nominal date of such 2007 Certificate such person shall not have been such officer of the Trustee.

Section 2.6 **Application of Proceeds and Other Moneys**.

(a) The proceeds received by the Trustee from the sale of the 2007 Certificates, after payment of the premium with respect to the Certificate Insurance Policy, shall forthwith be set aside by the Trustee in the following respective funds and accounts and in the following order of priority:

(i) The Trustee shall deposit into the Delivery Costs Fund, an amount equal to $138,431.46, constituting $109,667.68 from proceeds of the sale of the 2007-A Certificates, and 28,763.78 from proceeds of the sale of the 2007-B Certificates.

(ii) The Trustee shall deposit into the Project Fund, the remaining $31,062.030.20 of proceeds of the 2007 Certificates, $24,928,743.50 (constituting $23,428,743.50 from proceeds of the sale of the 2007-A Certificates and $1,500,000.00 from proceeds of the sale of the 2007-B Certificates) being deposited into the Justice Building Acquisition Account, $4,633,286.70 (solely from proceeds of the sale of the 2007-A Certificates) being deposited into the Improvements Account therein and $1,500,000.00 (solely from proceeds of the sale of the 2007-A Certificates) being deposited into the Community Services Department Facilities Account therein.

Section 2.7 **Registration, Transfer and Exchange of 2007 Certificates**.

(a) All 2007 Certificates issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the 2007 Certificates.

(b) So long as any 2007 Certificates are Outstanding, the Trustee shall maintain at its designated office books for the registration and transfer of 2007 Certificates, and shall provide for the registration and transfer of any 2007 Certificate under such reasonable regulations as the Trustee may prescribe. The Trustee shall act as registrar for purposes of exchanging and registering 2007 Certificates in accordance with the provisions hereof.

(c) Each 2007 Certificate shall be transferable only upon the Register by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner

thereof or his duly authorized attorney. Upon surrender for transfer of any 2007 Certificate, the Trustee shall execute and deliver, in the name of the transferee, one or more new 2007 Certificates, of the same aggregate principal amount and maturity as the surrendered 2007 Certificate.

(d) Any 2007 Certificate, upon surrender thereof to the Trustee together with written instructions satisfactory to the Trustee, duly executed by the Owner thereof or his attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of 2007 Certificates with the same maturity of any other authorized denominations.

(e) All 2007 Certificates surrendered in any exchange or transfer of 2007 Certificates shall forthwith be cancelled by the Trustee.

(f) In connection with any such exchange or transfer of 2007 Certificates, 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 with respect to such exchange or transfer.

(g) The Trustee may but shall not be obligated to exchange or register the transfer of any 2007 Certificate (i) which has been called or selected for call for redemption in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of redemption. If the transfer of any 2007 Certificate which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor shall be binding upon the transferee and a copy of the notice of redemption shall be delivered by the Trustee to the transferee along with the 2007 Certificate or 2007 Certificates.

Section 2.8 **Mutilated, Lost, Destroyed and Stolen Certificates**. If (i) any mutilated 2007 Certificate is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any 2007 Certificate, and (ii) there is delivered to the Trustee such security or indemnity as may be required by the Trustee to hold it harmless, then, in the absence of written notice to the Trustee that such 2007 Certificate has been acquired by a bona fide purchaser and upon the Owner paying the reasonable expenses of the Trustee, the Trustee shall cause to be executed and shall deliver, in exchange for such mutilated 2007 Certificate or in lieu of such destroyed, lost or stolen 2007 Certificate, a new 2007 Certificate of like principal amount, date and tenor. If the principal of any such mutilated, destroyed, lost or stolen 2007 Certificate has become, or will on or before the next Interest Payment Date become, due and payable, the Trustee may, in its discretion, pay such 2007 Certificate when due instead of delivering a new 2007 Certificate.

Section 2.9 **Execution of Documents and Proof of Ownership**. 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 2007 Certificate 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 2007 Certificates. Proof of the

execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of 2007 Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate of an officer of any bank or trust company located within the United States of America, which need not be acknowledged or verified. 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.

(b) The fact of the ownership of 2007 Certificates by any person and the amount, the maturity and the numbers of such 2007 Certificates and the date of his holding the same shall be proved by the Register maintained pursuant to Section 2.10 hereof.

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 2007 Certificate shall bind every future Owner of the same 2007 Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.10 **Certificate Register**. The Trustee will keep or cause to be kept, at its designated office, sufficient books for the registration and transfer of the 2007 Certificates which shall at all times be open to inspection by the Lessee and the Lessor during normal business hours with reasonable prior notice; 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, 2007 Certificates as hereinbefore provided.

Section 2.11 **Execution and Delivery of Additional Certificates**. So long as the Lease-Purchase Agreement remains in effect, no Event of Default under this Trust Agreement has occurred and the Certificate Insurer has consented to the issuance of Additional Certificates, the Trustee may execute and deliver, at the direction of the Lessee, Additional Certificates from time to time to provide funds to pay any one or more of (i) the costs of refunding Outstanding Certificates, or (ii) the costs of making any modifications or improvements to the Leased Property as the Lessee may deem necessary or desirable.

Before the Trustee shall deliver any Additional Certificates executed pursuant to a supplement authorized by Article X hereof, the following items shall have been received by the Trustee:

(a) Original executed counterparts of any amendments or supplements to the Lease-Purchase Agreement and of the Trust Agreement entered into in connection with the execution and delivery of the Additional Certificates, which are necessary or advisable, in the opinion of Special Counsel, to provide that the Additional Certificates will be executed and delivered in compliance with the provisions of this Trust Agreement.

(b) A written opinion of Special Counsel to the effect that (i) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of this Trust Agreement, (ii) any filings required to be made under Section 11.4 of this Trust Agreement have been made, and (iii) all conditions precedent to the delivery of the Additional Certificates have been fulfilled.

(c) A written opinion of Special Counsel (who also may be the counsel to which reference is made in subsection (b) above), to the effect that (i) when executed and delivered by the Trustee, those Additional Certificates will be valid and binding in accordance with their terms and will be secured hereunder equally and on a parity with all other Certificates at the time Outstanding hereunder as to the assignment to the Trustee of the amounts pledged hereunder, and (ii) the execution and delivery of the Additional Certificates will not result in the portion of the Lease Payments designated as interest evidenced by the Certificates Outstanding immediately prior to that execution and delivery of such Additional Certificates becoming includable in gross income for purposes of federal income taxation.

(d) A written opinion of Special Counsel (who also may be the counsel to which reference is made in subsection (b) above) to the effect that any amendments or supplements to the Lease-Purchase Agreement entered into in connection with the execution and delivery of the Additional Certificates have been duly authorized, executed and delivered by the Lessee, and that the Lease-Purchase Agreement, as amended or supplemented, constitutes a legal, valid and binding obligation of the Lessee, enforceable in accordance with its terms, subject to exceptions reasonably satisfactory to the Trustee for bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

(e) Written confirmation from Moody's, if the Certificates are then rated by Moody's, and from S&P, if the Certificates are then rated by S&P, that the issuance of the Additional Certificates will not cause the then-assigned rating assigned to the Certificates to be reduced or withdrawn.

When the documents listed above have been received by the Trustee, the Trustee shall execute and deliver the Additional Certificates to or on the order of the original purchaser thereof, but only upon payment of the agreed-upon purchase price for the Additional Certificates.

Prior to the issuance of any Additional Certificates, the Lessee shall inform the Trustee of the names of all entities which have rated the outstanding Certificates.

Section 2.12 **Book-Entry-Only System**. The 2007 Certificates shall be initially issued in the form of a single fully registered certificate for each scheduled principal payment date for each series of 2007 Certificates. Upon initial execution and delivery, the ownership of such 2007 Certificates shall be registered in the Register in the name of Cede & Co., as nominee of DTC, and, except as hereinafter otherwise provided, all of the Outstanding 2007 Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to the 2007 Certificates registered in the Register in the name of Cede & Co., as nominee of DTC, the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the

2007 Certificates (a "Beneficial Owner"), nor any responsibility or obligation to any DTC Participant, any Beneficial Owner or any other person claiming a beneficial ownership interest in the 2007 Certificates under or through DTC or any DTC Participant, or any other person with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the payment by DTC or any DTC Participant of any amount in respect of the 2007 Certificates, (iii) the giving of any notice that is permitted or required to be given to Owners under this Trust Agreement, or (iv) any consent given or other action taken by DTC as an Owner.

Notwithstanding any other provision of this Trust Agreement to the contrary, the Trustee shall be entitled to treat and consider the person in whose name each 2007 Certificate is registered in the Register as an absolute Owner of such 2007 Certificate for the purpose of payment, for the purpose of giving notices of prepayment with respect to any 2007 Certificate, for the purpose of registering transfers with respect to such 2007 Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest evidenced by any 2007 Certificate only to or upon the order of the respective 2007 Certificate Owners, as shown in the Register, as provided in this Trust Agreement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the 2007 Certificates to the extent of the sum or sums so paid. No person other than a 2007 Certificate Owner, as shown in the Register, shall receive a 2007 Certificate evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to this Trust Agreement.

Notwithstanding any other provision of this Trust Agreement or the 2007 Certificates, so long as the 2007 Certificates are held in book-entry form and registered in the name of Cede & Co., as nominee or DTC, or registered in the name of any successor securities depository, or its nominee, the following provisions shall apply:

(a) Presentation. Presentation of 2007 Certificates to the Paying Agent at their scheduled payment dates or upon prepayment prior thereto shall be deemed made to the Paying Agent when the right to exercise ownership rights in the 2007 Certificates through DTC or a DTC Participant is transferred by DTC on its books.

(b) Fractionalized Representation. DTC may present notices, approvals, waivers, votes or other communications required or permitted to be made by Owners under this Trust Agreement on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the 2007 Certificates through DTC or DTC Participants.

The 2007 Certificate Owners have no right to a depository for the 2007 Certificates. The Lessee or the Trustee may remove DTC or any successor thereto for any reason at any time. In such event, the Trustee shall (i) appoint a successor securities depository qualified to act as such under Section 17(i) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer one or more separate 2007 Certificates to such successor securities depository, or (ii) notify DTC of the availability through DTC of 2007 Certificates and transfer one or more separate 2007 Certificates to DTC Participants having 2007 Certificates credited to their DTC accounts as directed by DTC. In such event, the 2007 Certificates shall no longer be restricted to being registered in the Register

in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the DTC Participants receiving 2007 Certificates shall designate, in accordance with the provisions of this Trust Agreement.

The Trustee and the Lessee may execute the letter of representation in connection with the execution and delivery of the 2007 Certificates. The letter of representation is for the purpose of effectuating the book-entry-only system only and shall not be deemed to amend, supersede or supplement the terms of this Trust Agreement that are intended to be complete without reference to the letter of representation. In the event of any conflict between the terms of the letter of representation and the terms of this Trust Agreement, the terms of the Trust Agreement shall control. DTC may exercise the rights of a 2007 Certificate Owner hereunder only in accordance with the terms hereof applicable to the exercise of such rights.

ARTICLE III
PROJECT FUND AND DELIVERY COSTS FUND

Section 3.1 **Project Fund**. The Trustee shall establish a special fund designated as the "Project Fund" and create three accounts therein known as the 'Justice Building Acquisition Account," the "Improvements Account" and the "Community Services Department Facilities Account."

There shall be deposited in the Project Fund the proceeds of the sale of the 2007 Certificates required to be deposited therein pursuant to Section 2.6 hereof.

(a) The Trustee shall immediately disburse $$24,928,743.50 of the amounts in the Justice Building Acquisition Account of the Project Fund to TICOR Title Agency of Arizona, Inc., as escrow agent, to enable the Lessor to purchase the Site and the Existing Facility for simultaneous conveyance to the County, subject to the Ground Lease.

(b) The Trustee shall disburse amounts in the Improvements Account of the Project Fund from time to time at the request and direction of a Lessee Representative to pay or reimburse the Lessee for costs incurred in acquiring, constructing and equipping the Improvements. Each of the payments referred to in this Section 3.1(b) shall be made upon a written order signed by a Lessee Representative substantially in the form attached hereto as Exhibit D-1 entitled "Order for Disbursement – Justice Building Improvements." If any amount remains in the Justice Building Improvements Account of the Project Fund after completion of the Improvements, and after provision for payment of any necessary related Project Costs as authorized herein which are then due and payable, the Trustee shall immediately transfer the same to the Lease Payment Fund.

(c) Amounts in the Community Services Department Facilities Account of the Project Fund shall be disbursed by the Trustee from time to time at the request and direction of a Lessee Representative to pay or reimburse the Lessee for costs incurred in connection with the construction and equipping of improvements to the Community Services Department Facilities. Each of the payments referred to in this Section 3.1(c) shall be made only upon a written order signed by a Lessee Representative substantially in the form attached hereto as Exhibit D-2

entitled "Order for Disbursement – Community Services Department Facilities." If any amount remains in the Community Services Department Facilities Account of the Project Fund upon the earlier of (i) completion of the construction and equipping of the Community Services Department Facilities or (ii) November 1, 2008, the Trustee shall immediately transfer such amount to the Lease Payment Fund.

(d) The Trustee shall be responsible for the safekeeping and investment, upon the written direction of the Lessee Representative, of the moneys held in the Project Fund in Permitted Investments and the payment thereof in accordance with this Section. Notwithstanding the foregoing, the Trustee shall be entitled to rely conclusively on the requisitions and written orders supplied to it by a Lessee Representative in connection with disbursements made pursuant to this Section.

Section 3.2 **Delivery Costs Fund**. The Trustee shall establish a special fund designated as the "Delivery Costs Fund." The Trustee shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided herein and in the Lease-Purchase Agreement. There shall be deposited in the Delivery Costs Fund the proceeds of sale of the 2007 Certificates required to be deposited therein pursuant to Section 2.6(a) hereof.

The Trustee shall disburse moneys in the Delivery Costs Fund only upon a requisition signed by the Lessee Representative setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund. Amounts remaining in the Delivery Costs Fund after January 1, 2008, shall be transferred to the Lease Payment Fund.

The Trustee shall be responsible for the safekeeping and investment, upon the written direction of the Lessee Representative, of the moneys held in the Delivery Costs Fund in Permitted Investments and the payment thereof in accordance with this Section. Notwithstanding the foregoing, the Trustee shall be entitled to rely conclusively on the requisitions and written orders supplied to it by the Lessee Representative in connection with disbursements made pursuant to this Section.

ARTICLE IV
REDEMPTION OF 2007 CERTIFICATES

Section 4.1 **Right to Redeem**. The 2007 Certificates shall be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein.

Section 4.2 **Redemption**.

(a) Optional Redemption. At the direction of the Lessee, all or a portion of the 2007-A Certificates maturing on or after July 1, 2018 are subject to redemption prior to maturity in any order of maturity designated by the Lessee (or by the Trustee by lot in the event that no designation accompanies the direction of the Lessee to redeem 2007-A Certificates pursuant to this Section 4.2(a)) and by lot within a maturity on any date occurring on or after July 1, 2017,

by payment of a redemption price equal to the principal amount being redeemed) plus interest accrued to the date fixed for redemption, but without premium.

The 2007-B Certificates are not subject to optional redemption prior to their stated maturity dates.

(b) Redemption from Net Proceeds of Insurance and Condemnation. The 2007 Certificates are also subject to redemption on any Interest Payment Date in whole or in part, from the Net Proceeds of insurance or condemnation, which Net Proceeds are deposited in the Lease Payment Fund and credited towards the Prepayment made by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, in any order of maturity designated by the Lessee (or by the Trustee by lot in the event that no such designation is received by the Trustee at the time such Net Proceeds are deposited with the Trustee), and by lot within a maturity at a redemption price equal to the principal amount of the 2007 Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Section 4.3 **Selection of Certificates to be Redeemed**. If less than all of the 2007 Certificates of the same maturity are to be redeemed upon redemption of 2007 Certificates hereunder, the Trustee shall select the 2007 Certificates to be redeemed by lot or in such other manner as the Trustee shall deem fair. In making such selection, the Trustee shall treat each 2007 Certificate as representing that number of 2007 Certificates of $5,000 denomination as is obtained by dividing the principal amount of such 2007 Certificate by $5,000.

Section 4.4 **Partial Redemption of Certificates**. Upon the selection and call for redemption of, and the surrender of, any 2007 Certificate for redemption in part only, the Trustee shall cause to be executed and delivered to or upon the written order of the Owner thereof, at the expense of the Lessee, a new 2007 Certificate or 2007 Certificates of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the 2007 Certificate surrendered, in accordance with instructions received from the Owner thereof, with one 2007 Certificate being delivered in the absence of such instructions.

Section 4.5 **Effect of Call for Redemption**. On the date designated for redemption by notice given as herein provided, the 2007 Certificates so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2007 Certificates on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Trustee as provided herein, interest on the 2007 Certificates so called for redemption shall cease to accrue, such 2007 Certificates shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Trustee and the amount of such 2007 Certificates so called for redemption shall be deemed paid and no longer Outstanding.

Section 4.6 **Notice of Redemption**.

(a) Whenever redemption of 2007 Certificates is to be made, the Trustee shall give notice of the redemption of such 2007 Certificates, which notice shall specify the redemption date, the redemption price and the place or places where such redemption price will be payable and, if less than all of the 2007 Certificates are to be redeemed, the numbers or other

distinguishing marks of such 2007 Certificates so to be redeemed, and, in the case of 2007 Certificates to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each 2007 Certificate to be redeemed the redemption price of such 2007 Certificate or the specified portion thereof in the case of a 2007 Certificate to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on such 2007 Certificate or portion thereof so to be redeemed.

(b) Such notice shall be given by mailing a copy of such notice, first class United States mail postage prepaid, not less than thirty (30) days nor more than sixty (60) days before the redemption date, to all Owners of any 2007 Certificates or portions of 2007 Certificates which are to be redeemed at their last addresses appearing upon the Register, but failure so to mail any such notice, or a defect in such notice, as to any 2007 Certificate shall not affect the validity of the proceedings for the redemption of any other 2007 Certificate.

(c) In addition to the notice called for in subsections (a) and (b), further notice shall be given by the Trustee as set out below, but no defect in said further notice or any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption or result in a breach of trust by the Trustee of notice thereof is given as above prescribed:

(i) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all 2007 Certificates being redeemed; (B) the date of issue of the 2007 Certificates as originally issued; (C) the rate of interest borne by each 2007 Certificate being redeemed; (D) the maturity date of each 2007 Certificate being redeemed; and (E) any other descriptive information needed to identify accurately the 2007 Certificates being redeemed.

(ii) Each further notice of redemption shall be sent at least 35 days before the redemption date, return receipt requested, to all registered securities depositories which are registered owners of the 2007 Certificates then in the business of holding substantial amounts of obligations of types such as the 2007 Certificates (such as, at the time of execution and delivery of this Trust Agreement, Depository Trust Company of New York, New York; Midwest Securities Trust Company of Chicago, Illinois; Pacific Securities Depository Trust Company of San Francisco, California; and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the 2007 Certificates (such as, at the time of execution and delivery of this Trust Agreement, the Daily Called Bond Service of Financial Information, Inc., Jersey City, New Jersey; the Called Bond Service of Kenney Information Services, New York, New York; Moody's Municipal and Government, New York, New York; and S&P's Called Bond Record, New York, New York).

(d) A second notice of redemption shall be given within sixty (60) days after the redemption date in the manner required above to each of the Owners of the 2007 Certificates

designated for redemption which have not been presented for payment within thirty (30) days after the redemption date.

ARTICLE V
LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.1 **Assignment of Rights in Lease-Purchase Agreement**. The Trustee, as Lessor under the Lease-Purchase Agreement, holds certain rights and interest in the Lease-Purchase Agreement, including but not limited to all of the Lessor's rights to receive and collect all of the Lease Payments, Additional Rent, the Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease-Purchase Agreement or pursuant hereto. All Lease Payments and Prepayments to which the Lessor may at any time be entitled shall be paid directly to the Trustee.

Section 5.2 **Establishment of Lease Payment Fund**. The Trustee shall establish a special fund designated as the "Lease Payment Fund." All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the Lessee nor the Lessor shall have any beneficial right or interest in the Lease 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.

Section 5.3 **Deposits**. There shall be deposited in the Lease Payment Fund all Lease Payments and Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to Section 4.4(a) or Articles VI or X of the Lease-Purchase Agreement and any other moneys required to be deposited therein pursuant to the Lease-Purchase Agreement or pursuant to this Trust Agreement.

Section 5.4 **Application of Moneys**. All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest and redemption premiums (if any) with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV hereof.

Section 5.5 **Transfers of Investment Earnings to Lease Payment Fund**. Except as otherwise provided in the Tax Compliance Certificate, the Trustee shall, on each December 15 and June 15, or the next succeeding Business Day if such date is not a Business Day, transfer any income or profit on the investment of moneys in the funds hereunder (except the Rebate Fund) to the Lease Payment Fund.

Section 5.6 **Surplus**. Any surplus remaining in the Lease Payment Fund, after redemption and payment of all Certificates, including premiums and accrued interest (if any) and payment of any Additional Rent, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the Lessee.

Section 5.7 **Claims Upon the Certificate Insurance Policy**.

(a) So long as the Certificate Insurance Policy is in full force and effect, the Trustee and the Paying Agent will comply with the provisions of this Section 5.7.

(b) At least one (1) Business Day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient funds in the Lease Payment Fund to pay the principal and interest evidenced by the 2007 Certificates due on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in the Lease Payment Fund, the Trustee shall so notify the Certificate Insurer. Such notice shall specify the amount of the anticipated deficiency, the 2007 Certificates to which such deficiency is applicable and whether such 2007 Certificates will be deficient as to principal or interest, or both. If the Trustee has not so notified the Certificate Insurer at least one (1) day prior to an Interest Payment Date, the Certificate Insurer will make payments of principal and interest evidenced by the 2007 Certificates due on or before the first (1st) Business Day next following the date on which the Certificate Insurer shall have received notice of nonpayment from the Trustee.

(c) After giving notice to the Certificate Insurer as provided in subsection (b) above, the Trustee shall make available to the Certificate Insurer and, at the Certificate Insurer's direction, to The Bank of New York, as insurance trustee for the Certificate Insurer or any successor insurance trustee (the "Insurance Trustee"), the Register maintained by the Trustee and all records relating to the funds and accounts maintained under this Trust Agreement.

(d) The Trustee shall provide the Certificate Insurer and the Insurance Trustee with a list of the Owners entitled to receive principal or interest from the Certificate Insurer under the terms of the Certificate Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners entitled to receive full or partial interest payments from the Certificate Insurer and (ii) to pay principal evidenced by the 2007 Certificates surrendered to the Insurance Trustee by the Owners entitled to receive full or partial principal payments from the Certificate Insurer.

(e) The Trustee shall at the time it provides notice to the Certificate Insurer pursuant to subsection (b) above, notify Owners entitled to receive the payment of principal or interest evidenced by the 2007 Certificates from the Certificate Insurer (i) as to the fact of such entitlement, (ii) that the Certificate Insurer will remit to them all or a part of the interest payments next coming due upon proof of entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Certificate Insurer, they must surrender their 2007 Certificates (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such 2007 Certificates to be registered in the name of the Certificate Insurer) for payment to the Insurance Trustee, and not the Trustee and (iv) that should they be entitled to receive partial payment of principal from the Certificate Insurer, they must surrender their 2007 Certificates for payment thereon, first, to the Trustee who shall note on such 2007 Certificates the portion of the principal paid by the Trustee and then along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(f) In the event that the Trustee has notice that any payment of principal or interest evidenced by a 2007 Certificate which has become due for payment and which is made to the Owner by or on behalf of the Lessee has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in

bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Certificate Insurer is notified pursuant to (b) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the Certificate Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Certificate Insurer its records evidencing the payments of principal and interest evidenced by the 2007 Certificates which have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(g) In addition to those rights granted to the Certificate Insurer pursuant to this Trust Agreement, the Certificate Insurer shall, to the extent it makes payment of principal or interest evidenced by the 2007 Certificates, be subrogated to the rights of the recipients of such payments in accordance with the terms of the Certificate Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Certificate Insurer's rights as subrogee on the Register maintained by the Trustee upon receipt from the Certificate Insurer of proof of the payment of interest thereon to the Owners, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Certificate Insurer's rights as subrogee on the Register maintained by the Trustee upon surrender of the 2007 Certificates by the Owners thereof together with proof of the payment of principal thereof.

(h) Payments with respect to claims for interest on and principal of the 2007 Certificates disbursed by the Trustee from proceeds of the Certificate Insurance Policy shall not be considered to discharge the obligation of the Lessee with respect to such 2007 Certificates, and the Certificate Insurer shall become the owner of such unpaid 2007 Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(i) Irrespective of whether any such assignment is executed and delivered, the Lessee and the Trustee hereby agree for the benefit of the Certificate Insurer that:

(i) They recognize that to the extent the Certificate Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the 2007 Certificates, the Certificate Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Lessee, with interest thereon as provided and solely from the sources stated in this Trust Agreement and the 2007 Certificates; and

(ii) Provided the Certificate Insurer is not in default on its payment obligations under the Certificate Insurance Policy, they will accordingly pay to the Certificate Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Certificate Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Trust Agreement and the 2007 Certificates, but only from the sources and in the manner provided herein for the payment of principal of and interest on the 2007 Certificates to Owners, and will otherwise treat the Certificate Insurer as the owner of such rights to the amount of such principal and interest.

ARTICLE VI
[RESERVED]

ARTICLE VII
INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN

Section 7.1 **Establishment of Insurance and Condemnation Fund: Application of Net Deeds of Insurance Award**. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Leased Property collected by the Lessee in the event of any such accident or destruction shall be transferred to the Trustee pursuant to Section 6.2 of the Lease-Purchase Agreement and deposited by the Trustee in a special fund designated as the "Insurance and Condemnation Fund" to be applied and disbursed by the Trustee as provided in Section 6.2(a) of the Lease-Purchase Agreement.

Section 7.2 **Application of Net Proceeds of Eminent Domain Award**. If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.2(b) of the Lease-Purchase Agreement and shall be applied and disbursed by the Trustee as follows:

(i) If the Lessee determines, based upon a report of an independent engineer or other independent professional, that (A) such eminent domain proceedings have not materially affected the operation of any of the Leased Property or the ability of the Lessee to meet any of its obligations under the Lease-Purchase Agreement, and (B) that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited towards the Prepayments required to be paid pursuant to Section 10.4 of the Lease-Purchase Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof.

(ii) If the Lessee determines, based upon a report of an independent engineer or other independent professional, that (A) such eminent domain proceedings have not materially affected the operation of any of the Leased Property or the ability of the Lessee to meet any of its obligations under the Lease-Purchase Agreement, and (B) such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the Lessee, or to its order, from said proceeds such amounts as the Lessee may expend for such repair, rehabilitation or replacement, upon the filing of requisitions of the Lessee Representative, certificates of architects or engineers and other documents as the Trustee may at its discretion request.

(iii) If (A) less than all of the Leased Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the Lessee determines, based upon a report of am independent engineer or other independent professional, that such eminent domain proceedings have materially affected the operation of any of the Leased Property or the ability of the

Lessee to meet any of its obligations under the Lease-Purchase Agreement, or (B) all of the Leased Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 10.4 of the Lease-Purchase Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof.

The Lessee shall be required to obtain, at its own expense, and provide to the Trustee the report of an independent engineer or other independent professional consultant prior to the Lessee making any determination under this Section 7.2. Any such determination by the Lessee shall be final.

Section 7.3 **Cooperation**. The Trustee shall cooperate fully with the Lessee at the request and expense of the Lessee in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease-Purchase Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Property or any part thereof.

Notwithstanding the foregoing provisions of this Section 7.2, the Lessee agrees, to the extent permitted by law, that in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, it will offer to pay the Trustee an amount at least equal to all principal and accrued interest on all outstanding Certificates and all fees and expenses owed by the Lessee hereunder.

ARTICLE VIII
MONEYS IN FUNDS; INVESTMENT

Section 8.1 **Held in Trust**. The moneys and investments held by the Trustee under this Trust Agreement (other than those held in the Rebate Fund) are irrevocably held in trust for the benefit of the Owners of the Certificates, 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 Lessor, the Trustee or the Lessee or any Owner of Certificates.

Section 8.2 **Investments Authorized**. Permitted Investments acquired hereunder, 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.

Section 8.3 **Accounting**. The Trustee shall quarterly, or at such other intervals as the Trustee and the Lessee shall from time to time agree upon (but in no event less frequently than semiannually or more frequently than monthly), furnish to the Lessee and the Certificate Insurer an accounting 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 Sections 8.2 and 8.6 hereof.

The Lessee acknowledges that, to the extent regulations of the Comptroller of the Currency or any other regulatory entity grants the Lessee the right to receive brokerage confirmations of security transactions made by the Trustee as they occur, the Lessee will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Lessee with periodic account transaction statements that will include the detail for all investment transactions made by the Trustee hereunder.

Section 8.4 **Allocation of Earnings**. Any loss on investments shall be charged to the respective funds from which such investments were made, and any interest, income or profit on any deposit of funds shall be deposited and transferred as provided in Section 5.5 hereof.

Section 8.5 **Valuation and Disposition of Investment**. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued on the basis of fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers. Certificates of deposit and bankers' acceptances shall be valued at the face amount thereof, plus accrued interest thereon. The value of Permitted Investments which cannot be determined as described above shall be established by prior agreement among the County, the Trustee and the Certificate Insurer.

Section 8.6 **Deposit and Investment of Moneys in Funds**.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated office, to the fullest amount possible in Permitted Investments as directed, in writing or by telephonic or other reasonable means, by the Lessee or, in the absence of direction by the Lessee, the Trustee shall invest in item (f) of the definition of Permitted Investments; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made, and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

(c) The Trustee may make any investment permitted by this Section, through or with its own commercial banking or investment departments unless otherwise directed by the Lessee.

(d) The Trustee shall sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to

provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

Section 8.7 **Liability of Trustee for Investments**. The Trustee shall not be liable for any loss resulting from the making of any investment made in accordance with the provisions hereof, except for its own negligence, willful misconduct or breach of trust.

Section 8.8 **Tax Compliance Certificate; Creation of Rebate Fund**.

(a) The Lessee hereby agrees to abide by each of its covenants contained in Section 2.3 of the Lease-Purchase Agreement and in any Tax Compliance Certificate as required by Special Counsel and to perform in accordance with this Section 8.8.

(b) There is hereby created, at the direction of the Lessee, and ordered established with the Trustee an irrevocable trust fund to be designated the "Rebate Fund," which shall be administered in accordance with the provisions of this Section 8.8 and the Tax Compliance Certificate.

(c) The foregoing provisions of this Section 8.8 notwithstanding, (i) the Rebate Fund shall not be considered a part of the Trust Estate created hereunder, and (ii) the Trustee shall be permitted to transfer moneys on deposit in any of the trust funds established under this Trust Agreement to the Rebate Fund in accordance with the provisions of the Tax Compliance Certificate. The Trustee shall hold moneys delivered or held in the Rebate Fund as a trust fund separate from any other fund or account established hereunder, and shall apply such moneys only in accordance with the provisions of the Tax Compliance Certificate.

ARTICLE IX
THE TRUSTEE

Section 9.1 **Certain Duties and Responsibilities**.

(a) Except during the continuance of an Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Trust Agreement; but in the case of any such certificates or opinions which are required by any provision hereof or thereof the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Trust Agreement.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement including those

described in (a) above, and use the same degree of care and skill in their exercise, as a prudent corporate indenture trustee would exercise or use under the circumstances.

(c) No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Trustee shall not be liable for any error of judgment made in good faith and without negligence by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Certificate Insurer or the Owners of the Outstanding Certificates as provided herein 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; and

(iv) Except for the obligation (A) to notify the Certificate Insurer pursuant to Section 5.7 hereof, (B) to notify the Certificate Insurer and Owners of any Event of Default pursuant to Section 13.9 hereof, (C) to notify the Certificate Insurer and Owners of a declaration of acceleration pursuant to Section 13.2 hereof, (D) to notify the Certificate Insurer pursuant to Section 14.14 hereof or (E) to take action to exclude the Lessee from possession of the Leased Property, no provision of this Trust Agreement or the Agreements shall require the Trustee to expend or risk 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 thereunder, 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 adequate indemnity or other assurance against such risk or liability is not reasonably assured to it. Without limiting the generality of the foregoing, such other assurance may include, but shall not be limited to, environmental audits or other evidence satisfactory to the Trustee that it will not incur liability by reason of any remedial action taken pursuant hereto. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the Lessee for all reasonable costs, expenses, attorneys, and other fees, and all other reasonable disbursements, including its own fees, and for all liability and

damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

(d) Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

(e) The Trustee is authorized and directed to execute the Ground Lease, Lease and Project Agreement.

(f) The Trustee is not responsible for any official statement or any offering or disclosure materials prepared in connection with the Certificates

Section 9.2 **Certain Rights of Trustee**. Except as otherwise provided in Section 9.1 hereof:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request or direction of the Lessee mentioned herein shall be sufficiently evidenced by a certificate of a Lessee Representative, and any action of the governing board of the Lessee may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Lessee to have been duly adopted by the governing board of the Lessee and to be in full force and effect on the date of such certification and delivered to the Trustee.

(c) Whenever in the administration of this Trust Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of a Lessee Representative.

(d) The Trustee may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Certificate Owners pursuant to this Trust Agreement, unless such Certificate Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(g) The Trustee may engage agents and attorneys to assist it in executing any of the trusts or powers hereunder or performing any duties hereunder and shall not be liable for the negligence or misconduct of such agents and attorneys so long as the Trustee exercises due care in the selection thereof.

Section 9.3 **Employment of Experts**. The Trustee is hereby authorized to employ as its agents such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Trustee), as it reasonably may deem necessary to assist it to carry out any of its obligations hereunder, and shall be reimbursed by the Lessee for all reasonable expenses and charges in so doing.

Section 9.4 **Enforcement of Performance by Others**. It shall not be the duty of the Trustee, except as herein provided, to see that any duties and obligations imposed upon the Lessee are performed.

Section 9.5 **Right to Deal in Certificates and Take Other Actions**. The Trustee may in good faith buy, sell or hold and deal in any Certificates with like effect as if it were not such Trustee and may commence or join in any action which an Owner is entitled to take with like effect as if the Trustee were not the Trustee. It is understood and agreed that the Trustee engages in a general banking business and no provision hereof is to be construed to limit or restrict the right of the Trustee or any affiliate of the Trustee to engage in such business with the Lessee or any Owner. So engaging in such business shall not constitute a breach of trust on the part of the Trustee, but neither shall engaging in such business abrogate, alter or diminish any duty or obligation of the Trustee as Trustee hereunder.

Section 9.6 **Removal and Resignation of the Trustee**. The Trustee may resign at any time, or may be removed at any time for any breach of its duties hereunder by the Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under the Certificate Insurance Policy, by an instrument or instruments in writing signed by the Owners of not less than a majority in Aggregate Value of Certificates then Outstanding. Written notice of such resignation or removal shall be given by the Trustee to the Lessee and such resignation or removal shall take effect only upon the appointment and qualification of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Trustee or the Lessee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the Lessee, with the Certificate Insurer's written consent, shall be entitled to appoint a successor Trustee, unless an Event of Default has occurred and is continuing.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall (i) be a trust company or bank in good standing and duly authorized to exercise trust powers within the State, (ii) be subject to examination by a federal or state authority, and (iii) maintain a reported surplus of not less than fifty million dollars ($50,000,000).

Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Lessee an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, power and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

Each successor Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to the Certificate Insurer and each Owner of a Certificate.

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 such company shall be eligible as a successor Trustee under Section 9.6 hereof in the case of the Trustee, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 9.7 **Proof of Claim**. The Trustee shall have the right and power to take actions in the name and place of the Lessee or Owners to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required. Any amount recovered as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances incurred by the Trustee or its agents in pursuing such claim, shall be for the equal benefit of all of the Owners.

Section 9.8 **Trustee's Fees and Expenses**. The Lessee hereby covenants and agrees (i) to pay as Additional Rent to the Trustee reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), (ii) to reimburse as Additional Rent the Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust, and (iii) to indemnify and hold the Trustee harmless for, from and against any loss, liability or expense, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder; provided, however, that such indemnification shall not extend to claims successfully brought against the Trustee for, or losses, liabilities or expenses incurred as a result, of the Trustee's negligence, bad faith, willful misconduct or breach of trust. The Trustee's rights to compensation, reimbursement and indemnity while serving as Trustee

hereunder shall survive resignation or removal of the Trustee or discharge of the Trust Agreement.

Any provision hereof to the contrary notwithstanding, if the Lessee fails to make any payment properly due the Trustee for its reasonable fees, costs, expenses and fees of attorneys, certified public accountants, recognized authorities in their field and agents (not employees of the Trustee) incurred in performance of its duties or for which the Trustee is entitled to indemnity, the Trustee may reimburse itself from any surplus moneys on hand in any fund or account created pursuant hereto, provided that application of funds upon an Event of Default shall be governed by Section 13.3 hereof.

Section 9.9 **Intervention by Trustee**. The Trustee may intervene on behalf of the Owners, and shall intervene if requested in writing to do so by the Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under the Certificate Insurance Policy, if requested by an instrument or instruments in writing signed by the Owners of not less than a majority in Aggregate Value of the Certificates Outstanding, in any judicial proceeding to which the Lessee is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interest of Owners of the Certificates. The rights and obligations of the Trustee under this Section are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it in accordance with Section 9.1 hereof before it takes action hereunder.

Section 9.10 **Destruction of Certificates**. Upon payment of or surrender to the Trustee for cancellation of any Certificate, the Trustee shall destroy such Certificate.

Section 9.11 **Reports**. The Trustee shall quarterly, or at such other intervals as the Trustee and the Lessee shall from time to time agree upon (but in no event less frequently than semiannually or more frequently than monthly), prepare and submit to the Lessee and the Certificate Insurer reports covering all moneys received and all payments, expenditures and investments made as the Trustee hereunder since the last previous such report.

Section 9.12 **Separate or Co-Trustee**. At any time or times, solely for the purpose of meeting the legal requirements of any jurisdiction, the Lessee and the Trustee shall have power to appoint, and, upon the request of the Trustee, the Certificate Insurer or the Owners of at least a majority in aggregate principal amount of Certificates then Outstanding, the Lessee shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons, approved by the Trustee and, unless an Event of Default has occurred and is continuing by the Lessee, either to act as co-trustee or co-trustees, jointly with the Trustee of all or any part of the pledged property, or to act as separate trustee or separate trustees of all or any part of the pledged property, and to vest in such person or persons, in such capacity, such title to the pledged property or any part thereof, and such rights, powers, duties, trusts or obligations as the Lessee and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

If the Lessee shall not have joined in such appointment within fifteen (15) days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee alone shall have power to make such appointment.

The Lessee shall execute, acknowledge and deliver all such instruments as may reasonably be required by any such co-trustee or separate trustee for more fully and certainly vesting in such co-trustee or separate trustee the property, rights, powers and duties intended to be vested in such co-trustee or separate trustee. The Lessee shall be under no obligation to prepare any such instruments.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Certificates shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations hereby conferred upon the trustee in respect to the custody, control and management of moneys, papers, securities and other personal property shall be exercised solely by the trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee and such co-trustee or separate trustee shall abide by such request.

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Trustee may at any time, by any instrument in writing, with the concurrence of the Lessee, accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Lessee. Upon the request of the Trustee, the Lessee shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. The Lessee shall be under no obligation to prepare, record or file any such instruments or agreements.

(f) No Trustee hereunder shall be personally liable by reason of any act or omission of any other Trustee hereunder, nor will the act or omission of any Trustee hereunder be imputed to any other Trustee.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) with such title to the pledged property or any part thereof, and with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment subject to all the terms hereof. Every such acceptance shall be filed with the Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Trustee, its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the pledged property, and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 9.13 **Recitals and Representations**. The recitals, statements and representations contained herein or in the Lease-Purchase Agreement, or in any certificate (excluding the Trustee's execution of the Certificates or any recitals or representations concerning the Trustee or its powers) shall not be taken or construed as made by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Certificates, or the validity or sufficiency of insurance to be provided or, except as herein required, the filing or recording or registering of any document. The Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such security. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Trustee of written notice of a default or an Event of Default from the Lessee, the Certificate Insurer or any Owner.

ARTICLE X
MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.1 **Amendments Permitted**. This Trust Agreement, the rights and obligations of the Owners of the Certificates, and the Ground Lease and the Lease-Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Certificate Insurer and, subject to the provisions of Section 14.13 hereof, the written consents of the Owners of a majority in Aggregate Value of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.3 hereof, shall have been filed with the

Trustee, provided, however, that no such modification or amendment shall (i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Certificate, (ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Ground Lease, the Lease-Purchase Agreement or this Trust Agreement, or (iii) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.2 hereof.

This Trust Agreement, the rights and obligations of the Owners of the Certificates, and the Ground Lease and the Lease-Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, with the written consent of the Certificate Insurer and without the consent of any Owners of the Certificates, but only to the extent permitted by law and only (i) 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 Lessor or the Lessee, (ii) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (iii) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners of the Certificates, or (iv) to provide additional terms and conditions in connection with the issuance of Additional Certificates in accordance with Section 2.11 hereof and which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners of the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

Section 10.2 **Procedure for Amendment with Written Consent of Certificate Owners**. Subject to the provisions of Section 14.13 hereof, this Trust Agreement, the Ground Lease and the Lease-Purchase Agreement may be amended by supplemental agreement as provided in this Section 10.2 in the event the consent of the Owners of the Certificates is required pursuant to Section 10.1 hereof. A copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by first class United States mail postage prepaid by the Trustee to each Owner of a Certificate at his address as set forth on the Certificate Register maintained pursuant to Section 2.10 hereof, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section provided.

Subject to the provision of Section 14.13 hereof, such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in Aggregate Value of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.3 hereof) and a notice shall have been mailed as hereinafter in this Section provided. The consent of an Owner of a Certificate shall be effective only if ownership of the Certificates for which such consent is given is proved in accordance with Section 210 hereof. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a

subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Certificate Insurer or the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Certificate Insurer or the Owners of the required percentage of Certificates 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 agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of sixty (60) days after the filing of the papers required by this Section, 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 such sixty (60) day period.

Section 10.3 **Disqualified Certificates**. Certificates owned or held by or for the account of the Lessee or by any person directly or indirectly controlled by, or under direct or indirect common control with, the Lessee (except any Certificates 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 Certificates 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.

Section 10.4 **Effect of Supplemental Agreement**. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement, the Ground Lease or the Lease-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 Certificates 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 agreement shall be deemed to be part of the terms and conditions of this Trust Agreement, the Ground Lease or the Lease-Purchase Agreement, as the case may be, for any and all purposes.

The Trustee may require each Certificate Owner, before his consent provided for in this Article X shall be deemed effective, to certify that the Certificates as to which such consent is given are not disqualified as provided in Section 10.3 hereof.

Section 10.5 **Endorsement or Replacement of Certificates Delivered After Amendments**. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. No such notation shall be made by the Trustee unless the Trustee shall have received an opinion of Special Counsel to the effect that such modification of the Certificate form will not adversely effect the exclusion from gross

income for federal income tax purposes of the interest component of Lease Payments paid with respect to the Certificates. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for such purpose at the principal corporate trust office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, is necessary and such substitute Certificates shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the principal corporate trust office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

Section 10.6 **Amendatory Endorsement of Certificates**. The provisions of this Article X shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that proper notation thereof is made on such Certificates.

ARTICLE XI
COVENANTS; NOTICES

Section 11.1 **Compliance With and Enforcement of Lease-Purchase Agreement**. The Lessee covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease-Purchase Agreement.

Subject to Section 4.2(b) of the Lease-Purchase Agreement, the Lessee will 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 a ground for cancellation or termination of the Lease-Purchase Agreement by the Lessor thereunder. The Lessor and the Lessee, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Leased Property, which may or can in any manner affect such estate of the Lessee, will deliver the same, or a copy thereof, to the Trustee.

Section 11.2 **Observance of Laws and Regulations**. The Lessee will 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 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 Lessee, including its right to exist as a body corporate under the laws of the State, 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 11.3 **Prosecution and Defense of Suits**. The Lessee shall promptly, upon request of the Trustee, the Certificate Insurer or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent

permitted by law, shall indemnify and save the Trustee, the Certificate Insurer and every Certificate Owner harmless for, from and against all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.4 **Recordation and Filing**. The Lessee shall record and file the Lease-Purchase Agreement, 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 Certificate Owners.

Section 11.5 **Further Assurances**. The Lessor and the Lessee will 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 Lease-Purchase Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 11.6 **Action Upon Termination of Lease-Purchase Agreement**. In the event the Lease-Purchase Agreement is terminated pursuant to Section 4.2(b) thereof, the Trustee, with the prior written consent of the Certificate Insurer or upon the written direction of the Certificate Insurer shall take possession of the Leased Property on the day following the forty-five (45) day reinstatement period provided in Section 4.2(c) of the Lease-Purchase Agreement or seek a judicial order excluding, or take other action preventing, the Lessee from using the Leased Property and use its best efforts to re-let or sell the same. This covenant shall be enforceable by the Certificate Insurer and the Owners (subject to the requirements set forth in Section 13.8 hereof).

ARTICLE XII
LIMITATION OF LIABILITY

Section 12.1 **Limited Liability of Lessee**. Except for the payment of Lease Payments and Prepayments when due in accordance with the Lease-Purchase Agreement and the payment of Additional Rent and the performance of the other covenants and agreements of the Lessee contained in said Lease-Purchase Agreement, including the payment of fees and expenses and indemnities of the Trustee, the Lessee shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

Section 12.2 **No Liability of the Lessee for Trustee Performance**. The Lessee shall have no obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 12.3 **Indemnification**. To the extent permitted by law, the Lessee agrees to indemnify and save the Trustee harmless for, from and against (i) all claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages and expenses,

including attorneys fees, suffered or incurred by it as a result thereof, where and to the extent such claim, suit or action arises out of the actions of any other party to this Trust Agreement including but not limited to the ownership, operation or use of the Leased Property by the Lessee, and (ii) any taxes required to be paid by the Trustee as a result of the receipt of any amounts under the Lease-Purchase Agreement. Such indemnification shall not extend to claims, suits and actions successfully brought against the Trustee for failure to perform and carry out the duties specifically imposed upon and to be performed by it pursuant to this Trust Agreement. In the event the Lessee is required to indemnify the Trustee as herein provided, the Lessee shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 12.4 **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, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying thereon.

Section 12.5 **Limitation of Rights to Parties the Certificate Insurer and Certificate Owners**. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee, the Certificate Insurer and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof, and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee, the Certificate Insurer and said Owners.

Section 12.6 **No Liability of the Trustee for Payment of Lease Payments by Lessee**. Except as expressly provided herein, the Trustee shall have no obligation or liability to the Owners of the Certificates with respect to the payment of the Lease Payments by the Lessee when due, or with respect to the performance by the Lessee of any other covenant made by it in the Lease-Purchase Agreement.

ARTICLE XIII
EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.1 **Rights Under the Lease**. The Trustee has the right, subject to the Certificate Insurer's right to control rights and remedies provided in Section 9.7 of the Lease-Purchase Agreement, to exercise such rights and remedies conferred on the Lessor pursuant to the Lease-Purchase Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments, Additional Rent, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, the Rebate Fund or the Insurance and Condemnation Fund, and (ii) to otherwise exercise the Lessor's rights and take any action to protect the interests of the Trustee, the Certificate Insurer or the Certificate Owners in an Event of Default.

Section 13.2 **Remedies**. 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 (i) upon the prior written consent of the Certificate Insurer, or at the written direction of the Certificate Insurer, and in any event if the Certificate Insurer is in default on its payment obligation under the Certificate Insurance Policy, shall take action to exclude the Lessee from the Leased Property, and (ii) may with the prior written consent of the Certificate Insurer, and upon request of the Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under the Certificate Insurance Policy, the Owners of not less than five percent (5 %) in aggregate principal amount of Certificates then Outstanding, shall exercise any and all other remedies available pursuant to law or granted pursuant to the Lease-Purchase Agreement including the option to re-rent or re-lease all or any portion of the Leased Property pursuant to Article IX thereof. Upon the occurrence and continuance of any Event of Default, the Trustee may with the prior written consent of the Certificate Insurer, and at the written request of the Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under the Certificate Insurance Policy, the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then Outstanding, shall, declare the principal amount of the Certificates then Outstanding to be immediately due and payable, whereupon such principal amount shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Certificates to the contrary notwithstanding; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay Lease Payments and Additional Rent only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement. The Trustee shall give notice of such declaration of acceleration to the Lessee and the Certificate Insurer and shall give notice thereof by first-class mail to Owners of all Certificates then Outstanding.

Section 13.3 **Application of Funds**. Upon an Event of Default, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XIII or Article IX of the Lease-Purchase Agreement shall be applied by the Trustee in the order following upon presentation of the Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the ordinary and extraordinary fees and the costs and expenses of the Trustee in declaring and pursuing remedies in connection with such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of amounts, if any, payable pursuant to the Tax Compliance Certificate;

Third, to the payment of the whole amount then owing and unpaid with respect to the Certificates, whether by acceleration or otherwise, for principal and interest, with interest on the overdue principal and, to the extent lawful, installments of interest at the rate of ten percent (10%) per annum (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, 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 13.4 **Institution of Legal Proceedings**. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may with the prior written consent of the Certificate Insurer, and upon the written request of the Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under the Certificate Insurance Policy, of the Owners of a majority in Aggregate Value of the Certificates shall proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, the foreclosure of any lien granted herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

Section 13.5 **Non-waiver**. Nothing in this Article XIII or in any other provision of this Trust Agreement or in the Certificates, shall affect or impair the obligation of the Lessee, which is absolute and unconditional, to pay or prepay the Lease Payments and Additional Rent as provided in the Lease-Purchase Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Insurer or the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee, the Certificate Insurer or of any Owner of any of the Certificates 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 XIII to the Trustee, the Certificate Insurer or the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee, the Certificate Insurer or the Certificate Owners.

Section 13.6 **Remedies Not Exclusive**. No remedy herein conferred upon or reserved to the Trustee, the Certificate Insurer or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.7 **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 Certificate Insurer or the Owners of a majority in Aggregate Value of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, 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 Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under the Certificate Insurance Policy, of the Owners of a majority in Aggregate Value of the Certificates.

Section 13.8 **Limitation on Certificate Owners' Right to Sue**. No Owner of any Certificate issued hereunder shall 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 (i) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder, (ii) the Owners of at least a majority in Aggregate Value of all the Certificates 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, (iii) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request, (iv) 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, and (v) the Certificate Insurer shall have consented to such suit, action or proceeding; provided, however, Certificate Insurer consent shall not be required if the Certificate Insurer is in default on its payment obligations under the Certificate Insurance Policy.

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 Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates 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 Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease 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.

Section 13.9 **Notice of Default**.

(a) Within thirty (30) days after (i) the occurrence of an Event of Default under clause (iii) of the definition thereof in the Lease-Purchase Agreement, or (ii) receipt, in writing or otherwise, by the Trustee of actual knowledge or notice of an Event of Default under clauses (i) or (ii) of the definition thereof, the Trustee shall give written notice thereof by first-class mail to each Owner of a Certificate then Outstanding, unless such Event of Default shall have theretofore been cured; provided that, except in the case of a default in the payment of principal or the redemption price of or interest on any of the Certificates, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Owners.

(b) The Trustee shall immediately notify the Lessee and the Certificate Insurer of (i) the occurrence of an Event of Default under clause (iii) of the definition thereof, and (ii) when the Trustee has received actual knowledge or notice, in writing or otherwise, of an Event of Default under clause (i) or (ii) of the definition thereof.

ARTICLE XIV
MISCELLANEOUS

Section 14.1 **Defeasance**. If and when any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) By well and truly paying or causing to be paid the principal of and interest and redemption premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(b) By making an irrevocable deposit with the Trustee, in trust, at or before maturity, of money which, together with the amounts then on deposit in the Lease Payment Fund is fully sufficient to pay such Certificates Outstanding, including all principal of and interest and premium, if any;

(c) By making an irrevocable deposit with the Trustee, in trust, of Defeasance Obligations, together with other money, if required, in such amount as will, in the opinion of an independent certified public accountant acceptable to the Trustee, together with the interest to accrue thereon, but without reinvestment thereof, and amounts then on deposit in the Lease Payment Fund together with the interest to accrue thereon, but without reinvestment, be fully sufficient to pay and discharge such Certificates (including all principal, interest and redemption premiums) at or before their respective maturity dates and pay all unpaid Additional Rent; or

(d) By making an irrevocable deposit with the Trustee, under an escrow deposit and trust agreement, of security for the payment of Lease Payments and Additional Rent as more particularly described in Section 10.1 of the Lease-Purchase Agreement, said security to be held by the Trustee as agent for the Lessee to be applied by the Trustee to pay the Lease Payments and Additional Rent as the same become due and payable and make a Prepayment in full on any Prepayment Date, pursuant to Section 10.1 of the Lease-Purchase Agreement; notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Lessor, the Trustee and the Lessee with respect to such Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the Lessee from funds deposited pursuant to paragraphs (b) through (d) of this Section, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d), the Certificates shall continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease-Purchase Agreement.

Other than as required by the Tax Compliance Certificate, any funds held by the Trustee, at the time of one of the events described in paragraphs (a) through (d) of this Section, which are not required for the payment to be made to Owners, shall first be applied to the payment of Additional Rent and, thereafter, be paid over to the Lessee, subject to Section 9.8 hereof.

Any Certificate or portion thereof in authorized denominations may be paid and discharged as provided in this Section; provided, however, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions hereof or the Lessee shall have submitted to the Trustee instructions expressed to

be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; provided further, that if any such Certificate or portion thereof will not mature or be redeemed within sixty (60) days of the deposit referred to in paragraphs (b) through (d) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

If the Lessee prepays the Lease Payments and Additional Rent in full pursuant to Article X of the Lease-Purchase Agreement, makes the advance deposit required by Section 10.1 of the Lease-Purchase Agreement or pays all Lease Payments and Additional Rent during the term of the Lease-Purchase Agreement as the same become due and payable, all right, title and interest of the Trustee and the Lessor in and to each element of the Leased Property shall be transferred to and vested in the Lessee. Title shall be transferred to and vested in the Lessee hereunder without the necessity for any further instrument of transfer; but the Trustee and the Lessor agree to take any and all steps and execute and record any and all documents reasonably required by the Lessee to consummate such transfer of title.

Section 14.2 **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 Lessee, the Certificate Insurer and any Owner, or the agent of any of them, at any time during regular business hours of the corporate trust department of the Trustee.

Section 14.3 **Notices**. All written notices to be given under this Trust Agreement shall be given 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 mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below, except that notice to the Trustee shall be effective only upon receipt by an officer of the Trustee responsible for the administration of the trusts created under this Trust Agreement:

If to the Lessee:

Pima County, Arizona
130 West Congress, 6th Floor
Tucson, Arizona 85701
Attention: Finance and Risk Management Director

If to the Trustee:

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

If to the Certificate Insurer:

Ambac Assurance Corporation
One State Street Plaza, 12th Floor
New York, New York 10004

Attention: General Counsel

Section 14.4 **Governing Law**. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 14.5 **Binding Effect; 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 Lessor, the Lessee 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 Lessor, the Lessee or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 14.6 **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 agreement.

Section 14.7 **Destruction of Cancelled Certificates**. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the Lessee of any Certificates, the Trustee may, upon the request of the Lessee Representative, in lieu of such cancellation and delivery, destroy such Certificates and deliver a certificate of such destruction to the Lessee.

Section 14.8 **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 14.9 **Waiver of Notice**. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of much 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 14.10 **Separability of Invalid Provisions**. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates 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 Certificates 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.

Section 14.11 **Cancellation of Contracts**. As required by the provisions of Arizona Revised Statutes Section 38-511, as amended, notice is hereby given that the Lessee may cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee 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 Lessee's Board of Supervisors is received by all other parties to the contract unless the notice specifies a later time. All parties represent that to the best of their knowledge, no basis exists for the Lessee to cancel this Trust Agreement pursuant to Arizona Revised Statutes Section 38-511 as of the date hereof. 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 Lessee within 3 years from execution of this Trust Agreement, unless a waiver of A.R.S. §38-511 is provided by the Lessee's Board of Supervisors.

Section 14.12 **Consent of Certificate Insurer**.

(a) Wherever the term Owner or Certificate Owner or a term of like meaning appears herein, the Certificate Insurer shall be deemed to be an Owner of a sufficient percentage of the Outstanding Certificates (exclusive of amendments described in (i), (ii) and (iii) of the first paragraph of Section 10.1) (i) to initiate any action or effect any demand which Owners may initiate or effect, and (ii) to approve or disapprove any action, forbearance or amendment which is subject to Owner approval or initiation; provided, however, that the Certificate Insurer is not in default on its payment obligations under the Certificate Insurance Policy.

(b) Any provision of this Trust Agreement to the contrary notwithstanding, if under any provision hereof any action is to be taken only with the consent or approval of the Certificate Insurer and if at the time such consent or approval would otherwise be called for the Certificate Insurer is in default of its payment obligation pursuant to the terms of the Certificate Insurance Policy, then the consent or approval of the Certificate Insurer shall not be required.

Section 14.13 **Notice to Certificate Insurer**. The Certificate Insurer shall be deemed to be a Certificate Owner of the 2007 Certificates for all purposes other than for purposes of payment of principal and interest due on the 2007 Certificates, except to the extent the Certificate Insurer has been subrogated to the rights of the Owners pursuant to Section 14.15 hereof. At the time that the Trustee is required to give any notice to any party in the transaction, like notice shall be given to the Certificate Insurer. In addition, the Trustee shall immediately notify the Certificate Insurer (i) not less than ten (10) Business Days in advance of the execution of any supplement, amendment or change to this Trust Agreement, or the Lease-Purchase Agreement, with a copy of such notice to Bond Insurance Department, Standard & Poor's Corporation at 25 Broadway, New York, NY 10004, (ii) upon any deficiency in any fund or account, (iii) upon a direction from the Lessee to redeem all or any portion of the 2007 Certificates, (iv) upon the resignation or petition for removal of the Trustee or the appointment of a successor trustee, and

(v) upon any Event of Default or upon any event known to the Trustee that with notice and/or with the lapse of time could become an Event of Default under this Trust Agreement or the Lease-Purchase Agreement.

Section 14.14 Subrogation. Notwithstanding any other provision of this Trust Agreement, in the event that the principal and redemption premium, if any, and interest due on the 2007 Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the assignment and pledge of the trust estate, if any, and all covenants, agreements and other obligations of the Lessee to the Certificate Owners shall continue to exist and the Certificate Insurer shall be subrogated to the rights of such Certificate Owners.

Section 14.15 Additional Provisions Relating to Certificate Insurance.

(a) So long as the Certificate Insurer is not in default of its obligations pursuant to the Certificate Insurance Policy, the provisions of this Section 14.15 are applicable.

(b) Any provision hereof expressly recognizing or granting rights to the Certificate Insurer may not be amended in any manner which affects the rights of the Certificate Insurer hereunder without the prior written consent of the Certificate Insurer. The Certificate Insurer reserves the right to charge the Lessee a fee for any such consent or amendment while the Certificate Insurance Policy remains in force.

(c) The Certificate Insurer's consent shall be required, in addition to any consents required of the Owners, for (i) execution and delivery of any amendment, supplement or change to or modification of this Trust Agreement, the Lease Agreement, the Ground Lease or the Project Agreement, (ii) removal of the Trustee and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) which requires the consent of the Owners.

(d) Any reorganization or liquidation plan with respect to the Lessee must be acceptable to the Certificate Insurer. In the event of any reorganization or liquidation of the Lessee, the Certificate Insurer shall have the right to vote on behalf of the Owners of the 2007 Certificates.

(e) Anything in this Trust Agreement to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Certificate Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners pursuant to this Trust Agreement.

(f) The Trustee shall notify the Certificate Insurer (General Counsel's office) reasonably promptly of any failure on the part of the Lessee to provide any relevant notices, certificates or other documents pursuant hereto.

(g) The Trustee will permit the Certificate Insurer to have access to the Leased Property, and to make copies of, the books and records of the Trustee relating to the Leased Property and to the 2007 Certificates at any reasonable time.

(h) Notwithstanding any other provision of this Trust Agreement, the Trustee shall immediately notify the Certificate Insurer if at any time there are insufficient moneys in the funds and accounts in the custody of the Trustee to make any payments of principal or interest evidenced by the 2007 Certificates then due and immediately upon the occurrence of an Event of Default hereunder.

(i) The Trustee may be removed at any time, at the request of the Certificate Insurer, for any breach of trust hereunder, such removal to be in accordance with Section 9.6 hereof, as applicable.

(j) The Certificate Insurer shall receive prior written notice of any Trustee resignation.

(k) Every successor Trustee appointed pursuant hereto shall be a trust company or bank in good standing in the State, duly authorized to exercise trust powers in the State and subject to examination by federal or state authorities, having a reported capital and surplus of not less than $75,000,000 and acceptable to the Certificate Insurer. Any successor Paying Agent, if applicable, shall not be appointed unless the Certificate Insurer approves such successor in writing.

(l) Notwithstanding any other provision of this Trust Agreement, in determining whether the rights of the Owners will be adversely affected by any actions taken pursuant to the terms and provisions hereof, the Trustee shall consider the effect thereof on the Owners as if there were no Certificate Insurance Policy.

(m) Notwithstanding any other provision of this Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor acceptable to the Certificate Insurer is appointed. If no such successor Trustee is appointed within sixty (60) days of the resignation of the Trustee, the resigning Trustee may apply to a court of competent jurisdiction to appoint a successor Trustee.

[Signature page to follow]

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

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Its: Assistant Vice President

PIMA COUNTY, ARIZONA, as
Lessee

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

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

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Its: Assistant Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P., Bond Counsel

By: _____
Timothy E. Pickrell

STATE OF ARIZONA)
) ss.
County of Pima)

On this, April 26, 2007, before me, the undersigned Notary Public, personally appeared Deborah M. Scherer, who acknowledged herself to be an Assistant Vice President of U.S. Bank National Association, and that she, as such officer, being authorized so to do, executed the foregoing Trust Agreement for the purposes therein contained by signing the name of the association by herself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Jean E. Reynolds
Notary Public

OFFICIAL SEAL
JEAN E. REYNOLDS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Expires Aug. 15, 2008

My Commission Expires:
August 15, 2008

STATE OF ARIZONA)
) ss.
County of Pima)

On this, April 27, 2007, before me, the undersigned Notary Public, personally appeared Richard Elias, who acknowledged himself to be the Chairman of the Pima County Board of Supervisors and that he, such officer, being authorized so to do, executed the foregoing Trust Agreement for the purposes therein contained by signing the name of the County by himself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Donna Tobias
Notary Public

My Commission Expires:

12-20-08

OFFICIAL SEAL
DONNA TOBIAS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Exp. Dec. 20, 2008

EXHIBIT A-1

FORM OF FACE OF SERIES 2007-A CERTIFICATE OF PARTICIPATION

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

Pima County, Arizona

No: R- Denomination:

Interest Rate	Maturity Date	Dated Date	CUSIP
	July 1, 20____	May 1, 2007	

Registered Owner: CEDE & CO.

Principal Amount:

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and

semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next preceding the date of execution of this 2007-A Certificate (unless (i) this 2007-A Certificate is executed prior to January 1, 2008, in which event interest shall be payable from the Dated Date identified above, (ii) this 2007-A Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this 2007-A Certificate is executed after the close of business on the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such fifteenth day is a Business Day, in which event interest shall be payable from such Interest Payment Date). If, as of the date of execution hereof, interest is in default with respect to any 2007-A Certificates of the issue of which this is one, interest hereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment, or, if prior to January 1, 2008, interest shall be payable from the Dated Date identified above, unless this 2007-A Certificate is executed after a Special Record Date (as defined in the hereinafter-described Trust Agreement) and before the following Special Interest Payment Date (as defined in the Trust Agreement), in which event interest shall be payable from the scheduled Interest Payment Date next preceding such date of execution. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum set forth above.

Said amounts representing the Registered Owner's share of the Lease Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described below, by check or draft mailed by the Trustee on each Interest payment Date to the Registered Owner at the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Lease Payments designated as interest shall be made on Special Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of $1,000,000 or more in aggregate principal amount of 2007-A Certificates as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a particular Special Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner's expense) on the Interest Payment Date or Special Interest Payment Date to such Registered Owner in accordance with written notice from such Registered Owner containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire transfer directed, which written notice is received not later than five (5) days prior to the Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for such Special Interest Payment Date. Said amounts representing the Registered Owner's share of the Lease Payments designated as principal are payable when due upon surrender of this 2007-A Certificate at the principal corporate trust office of the Trustee.

This 2007-A Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement between the Trustee and the Lessee, dated as of May 1, 2007 (the

"Trust Agreement"), and is one of a series of certificates limited in aggregate principal amount to $28,765,000 (the 2007-A Certificates, together with the $1,555,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B, dated as of May 1, 2007, being executed and delivered by the Trustee pursuant to the Trust Agreement contemporaneously with the 2007-A Certificates and any additional certificates which may hereafter be executed and delivered under the Trust Agreement being herein collectively referred to as the "Certificates"). The Lessee is authorized to enter into the Lease-Purchase Agreement and the Trust Agreement under the laws of the State of Arizona. Reference is hereby made to the Lease-Purchase Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2007-A Certificates are delivered, the rights thereunder of the Registered Owners of the 2007-A Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee under the Lease-Purchase Agreement, to all of the provisions of which Lease-Purchase Agreement and Trust Agreement the Registered Owner of this 2007-A Certificate, by acceptance hereof, assents and agrees.

The obligation of the Lessee to pay the Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. The obligation of the Lessee to pay Lease Payments does not constitute a debt of the Lessee, the State of Arizona or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The term of the Lease-Purchase Agreement is from the date thereof until the end of the Lessee's then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including July 1, 2022, unless terminated prior thereto in accordance with the provisions of the Lease-Purchase Agreement. The continuation of the Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments after the end of the Lessee's Fiscal Period during which the Lease-Purchase Agreement commenced is subject to and dependent upon the moneys necessary to make such payments being lawfully budgeted by the Lessee. If the Lessee fails to obtain prior to the last date on which the Lessee is required or permitted to adopt its budget for the next Fiscal Period a proper budgeting and final appropriation of the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the next occurring Fiscal Period for which such budgeting and appropriation are made, the Lease-Purchase Agreement shall terminate effective on the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which such funds were determined to be lawfully available and allocated, subject to reinstatement at the option of the Lessee within forty-five (45) days thereafter.

Upon the occurrence and continuance of any event of default under the Trust Agreement, the Trustee may, and at the written direction of the Certificate Insurer (as defined below) or, if the Certificate Insurer is in default of its payment obligations under the Certificate Insurance Policy (as defined below), the Owners of not less than five percent (5 %) in Aggregate Value (as defined in the Trust Agreement) of Certificates then outstanding shall, declare the principal amount of the Certificates then outstanding to be immediately due and payable; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under

the Lease-Purchase Agreement to pay Lease Payments only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the Certificate Insurer and the Owners of a majority in Aggregate Value of the Certificates then outstanding, and may be amended without notice to or the consent of such Owners under certain circumstances, provided that no such amendment shall impair the right of any Owner to receive in any case such Owner's proportionate share of any Lease Payment or Prepayment thereof in accordance with such Owner's Certificate.

This 2007-A Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, 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 2007-A Certificate. Upon such transfer a new 2007-A Certificate or 2007-A Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange herefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes, whether or not this 2007-A Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

The 2007-A Certificates maturing on or after July 1, 2018 are subject to redemption prior to maturity in any order of maturity designated by the Lessee or, under certain circumstances, by lot by the Trustee, and by lot within a maturity on any date occurring on or after July 1, 2017, by payment of a redemption price equal to the principal amount of 2007-A Certificates being redeemed plus interest accrued to the date fixed for redemption, but without premium.

The 2007-A Certificates are also subject to redemption on any Interest Payment Date, in whole, or in part in any order of maturity designated by the Lessee, or, under certain circumstances, by lot by the Trustee, and by lot within a maturity from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest, without premium.

Notice of redemption shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date set for redemption to each Registered Owner of a 2007-A Certificate to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any 2007-A Certificate shall not affect the validity of the proceedings for the redemption of any other 2007-A Certificate. On the specified redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Trust Agreement provided funds for redemption are on deposit at the place of payment at that time.

Ambac Assurance Corporation (the "Certificate Insurer") has issued its financial guaranty policy (the "Certificate Insurance Policy") with respect to the 2007-A Certificates. Under the Trust Agreement, the Certificate Insurer is deemed to be the Owner of a sufficient percentage of

the 2007-A Certificates (i) to initiate any action or effect any demand which Owners may initiate or effect and (ii) to approve or disapprove any action, forbearance or amendment which is subject to Owner approval or initiation, provided that the Certificate Insurer is not in default on its payment obligations under the Certificate Insurance Policy.

IN WITNESS WHEREOF, this 2007-A Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: _____

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Its: Authorized Representative

STATEMENT OF INSURANCE

ABBREVIATIONS

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 _____
(Cust) (Minor)
Under Uniform Gifts/Transfers to Minors Act _____
(State)

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

ASSIGNMENT

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

_____

(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee) the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated _____

_____

Signature Guaranteed:

_____

(Signature guarantee should be made by a guarantor institution participating in the securities transfer agents medallion program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT A-2

FORM OF FACE OF TAXABLE SERIES 2007-B
CERTIFICATE OF PARTICIPATION

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, TAXABLE SERIES 2007-B

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

Pima County, Arizona

No: R- Denomination:

Interest Rate	Maturity Date	Dated Date	CUSIP
	July 1, 20____	May 1, 2007	

Registered Owner: CEDE & CO.

Principal Amount:

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Taxable Series 2007-B (the "2007-B Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-B Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal

coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next preceding the date of execution of this 2007-B Certificate (unless (i) this 2007-B Certificate is executed prior to January 1, 2008, in which event interest shall be payable from the Dated Date identified above, (ii) this 2007-B Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this 2007-B Certificate is executed after the close of business on the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such fifteenth day is a Business Day, in which event interest shall be payable from such Interest Payment Date). If, as of the date of execution hereof, interest is in default with respect to any 2007-B Certificates of the issue of which this is one, interest hereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment, or, if prior to January 1, 2008, interest shall be payable from the Dated Date identified above, unless this 2007-B Certificate is executed after a Special Record Date (as defined in the hereinafter-described Trust Agreement) and before the following Special Interest Payment Date (as defined in the Trust Agreement), in which event interest shall be payable from the scheduled Interest Payment Date next preceding such date of execution. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum set forth above.

Said amounts representing the Registered Owner's share of the Lease Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described below, by check or draft mailed by the Trustee on each Interest payment Date to the Registered Owner at the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Lease Payments designated as interest shall be made on Special Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of $1,000,000 or more in aggregate principal amount of 2007-B Certificates as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a particular Special Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner's expense) on the Interest Payment Date or Special Interest Payment Date to such Registered Owner in accordance with written notice from such Registered Owner containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire transfer directed, which written notice is received not later than five (5) days prior to the Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for such Special Interest Payment Date. Said amounts representing the Registered Owner's share of the Lease Payments designated as principal are payable when due upon surrender of this 2007-B Certificate at the principal corporate trust office of the Trustee.

This 2007-B Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement between the Trustee and the Lessee, dated as of May 1, 2007 (the "Trust Agreement"), and is one of a series of certificates limited in aggregate principal amount to $1,555,000 (the 2007-B Certificates, together with the $28,765,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, dated as of May 1, 2007, being executed and delivered by the Trustee pursuant to the Trust Agreement contemporaneously with the 2007-B Certificates any additional certificates which may hereafter be executed and delivered under the Trust Agreement being herein collectively referred to as the "Certificates"). The Lessee is authorized to enter into the Lease-Purchase Agreement and the Trust Agreement under the laws of the State of Arizona. Reference is hereby made to the Lease-Purchase Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2007-B Certificates are delivered, the rights thereunder of the Registered Owners of the 2007-B Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee under the Lease-Purchase Agreement, to all of the provisions of which Lease-Purchase Agreement and Trust Agreement the Registered Owner of this 2007-B Certificate, by acceptance hereof, assents and agrees.

The obligation of the Lessee to pay the Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. The obligation of the Lessee to pay Lease Payments does not constitute a debt of the Lessee, the State of Arizona or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The term of the Lease-Purchase Agreement is from the date thereof until the end of the Lessee's then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including July 1, 2022, unless terminated prior thereto in accordance with the provisions of the Lease-Purchase Agreement. The continuation of the Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments after the end of the Lessee's Fiscal Period during which the Lease-Purchase Agreement commenced is subject to and dependent upon the moneys necessary to make such payments being lawfully budgeted by the Lessee. If the Lessee fails to obtain prior to the last date on which the Lessee is required or permitted to adopt its budget for the next Fiscal Period a proper budgeting and final appropriation of the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the next occurring Fiscal Period for which such budgeting and appropriation are made, the Lease-Purchase Agreement shall terminate effective on the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which such funds were determined to be lawfully available and allocated, subject to reinstatement at the option of the Lessee within forty-five (45) days thereafter.

Upon the occurrence and continuance of any event of default under the Trust Agreement, the Trustee may, and at the written direction of the Certificate Insurer (as defined below) or, if the Certificate Insurer is in default of its payment obligations under the Certificate Insurance Policy (as defined below), the Owners of not less than five percent (5 %) in Aggregate Value (as defined in the Trust Agreement) of Certificates then outstanding shall, declare the principal

amount of the Certificates then outstanding to be immediately due and payable; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay Lease Payments only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the Certificate Insurer and the Owners of a majority in Aggregate Value of the Certificates then outstanding, and may be amended without notice to or the consent of such Owners under certain circumstances, provided that no such amendment shall impair the right of any Owner to receive in any case such Owner's proportionate share of any Lease Payment or Prepayment thereof in accordance with such Owner's Certificate.

This 2007-B Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, 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 2007-B Certificate. Upon such transfer a new 2007-B Certificate or 2007-B Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange herefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes, whether or not this 2007-B Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

The 2007-B Certificates are subject to redemption on any Interest Payment Date, in whole, or in part in any order of maturity designated by the Lessee, or, under certain circumstances, by lot by the Trustee, and by lot within a maturity from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest, without premium.

Notice of redemption shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date set for redemption to each Registered Owner of a 2007-B Certificate to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any 2007-B Certificate shall not affect the validity of the proceedings for the redemption of any other 2007-B Certificate. On the specified redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Trust Agreement provided funds for redemption are on deposit at the place of payment at that time.

Ambac Assurance Corporation (the "Certificate Insurer") has issued its financial guaranty policy (the "Certificate Insurance Policy") with respect to the 2007-B Certificates. Under the Trust Agreement, the Certificate Insurer is deemed to be the Owner of a sufficient percentage of the 2007-B Certificates (i) to initiate any action or effect any demand which Owners may initiate or effect and (ii) to approve or disapprove any action, forbearance or amendment which is subject to Owner approval or initiation, provided that the Certificate Insurer is not in default on its payment obligations under the Certificate Insurance Policy.

IN WITNESS WHEREOF, this 2007-B Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: _____

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Its: Authorized Representative

STATEMENT OF INSURANCE

ABBREVIATIONS

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 _____
(Cust) (Minor)
Under Uniform Gifts/Transfers to Minors Act _____
(State)

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

ASSIGNMENT

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

_____

(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee) the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated _____

_____

Signature Guaranteed:

_____

(Signature guarantee should be made by a guarantor institution participating in the securities transfer agents medallion program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

DESCRIPTION OF SITE

EXHIBIT C

DESCRIPTION OF IMPROVEMENTS

The Improvements consist generally of improvements to the office tower being acquired on the Site to make it better suited to County use needs, including, without limitation, new chillers for the utility system, upgraded elevators in the building, telecommunications systems linking the building into the County's computer and telephone system, and remodeling to accommodate County office use.

EXHIBIT D-1

ORDER FOR DISBURSEMENT – JUSTICE BUILDING IMPROVEMENTS

Pursuant to Section 3.1(c) of the Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between Pima County, Arizona (the "County") and U.S. Bank National Association, as trustee (the "Trustee"), the undersigned Lessee Representative (as defined in the Trust Agreement) hereby requests and authorizes the Trustee, as custodian of the Improvements Account of the Project Fund created by the Trust Agreement, to reimburse the Lessee or pay to the person(s) listed as payee out of the monies deposited in the Improvements Account of the Project Fund an aggregate of $_____.

In connection with the foregoing request and authorization, the undersigned hereby certifies that:

(a) Each item for which disbursement is requested hereunder is properly payable out of the Improvements Account of the Project Fund and none of these items has formed the basis for any disbursement heretofore made from the Improvements Account of the Project Fund.

(b) Each such item is or was a necessary cost of the Improvements defined in the Trust Agreement..

(c) This statement and all exhibits hereto shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.

(d) This statement constitutes approval by the Lessee of the disbursement hereby requested and authorized.

Explanation of this Payment:

Name and Address of Payee:

Account #

Claim to be paid on:

_____
Dated

_____
Lessee Representative

EXHIBIT D-2

ORDER FOR DISBURSEMENT – COMMUNITY SERVICES DEPARTMENT FACILITIES

Pursuant to Section 3.1(c) of the Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between Pima County, Arizona (the "County") and U.S. Bank National Association, as trustee (the "Trustee"), the undersigned Lessee Representative (as defined in the Trust Agreement) hereby requests and authorizes the Trustee, as custodian of the Community Services Department Facilities Account of the Project Fund created by the Trust Agreement, to reimburse the Lessee or pay to the person(s) listed as payee out of the monies deposited in the Community Services Department Facilities Account of the Project Fund an aggregate of $_____.

In connection with the foregoing request and authorization, the undersigned hereby certifies that:

(a) Each item for which disbursement is requested hereunder is properly payable out of the Community Services Department Facilities Account of the Project Fund and none of these items has formed the basis for any disbursement heretofore made from the Community Services Department Facilities Account of the Project Fund.

(b) Each such item is or was a necessary cost of the Community Services Department Facilities defined in the Trust Agreement.

(c) This statement and all exhibits hereto shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.

(d) This statement constitutes approval by the Lessee of the disbursement hereby requested and authorized.

Explanation of this Payment:

Name and Address of Payee:

Account #

Claim to be paid on:

_____
Dated

_____
Lessee Representative

PROJECT AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION, as trustee,
as Lessor

and

PIMA COUNTY, ARIZONA
as Lessee

Dated as of May 1, 2007

relating to
$30,320,000
Pima County, Arizona
Certificates of Participation, Series 2007
(Justice Building Project)

Comprised of
$28,765,000 Series 2007-A
And
$1,555,000 Taxable Series 2007-B

PROJECT AGREEMENT

THIS PROJECT AGREEMENT (the "Project Agreement"), dated as of May 1, 2007, by and between U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Lessor"), pursuant to the Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), and PIMA COUNTY, ARIZONA (the "County") (the "Lessee"),

WITNESSETH:

WHEREAS, the Lessee has entered or proposes to enter into certain purchase contracts, construction contracts and purchase orders, including those contracts more fully described on Exhibit A hereto (which purchase contracts, construction contracts and purchase orders as amended, modified or supplemented to the date hereof and as the same may from time-to-time hereafter be amended, modified or supplemented, are hereinafter collectively referred to as the "Contracts") with various sellers and suppliers (collectively, the "Contractors") providing for the acquisition, construction and equipping of all or a portion of certain improvements more fully described in the Lease-Purchase Agreement (as hereinafter defined) (the "Improvements"); and

WHEREAS, the Lessee desires to finance the acquisition, construction and equipping of all or a portion of the Improvements pursuant to the Trust Agreement and the Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), between the Lessor and the Lessee, and the Lessor is willing to acquire the Lessee's rights and interests pursuant to the Contracts and to acquire, construct and equip the Improvements, or cause the Improvements to be acquired, constructed and equipped, and to lease the same to the Lessee pursuant to the Lease-Purchase Agreement, all on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

Section 1. Assignment. The Lessee does hereby assign, convey, transfer and set over to the Lessor all of the Lessee's rights, title and interest in and to the Improvements and in and to the Contracts, including, without limitation, the right to (i) acquire each item of Improvements pursuant to the Contracts, (ii) take possession of such Improvements, (iii) be named the purchaser in any bill or bills of sale to be delivered by the Contractors pursuant to the Contracts, (iv) all claims for damages with respect to each item of Improvements arising as a result of any default by the Contractors (except as otherwise provided in Section 2 hereof), and (v) compel performance of the terms of the Contracts with respect to such Improvements.

Section 2. Reservation of Rights. With respect to each item of Improvements, so long, and only so long, as such item of Improvements shall be subject to the Lease-Purchase Agreement, the Lessee hereby reserves (i) the rights under all warranty and indemnity provisions contained in the Contracts, and (ii) the right to amend, modify or supplement the Contracts; provided that the Contracts as amended, modified or supplemented still provide for the acquisition, construction and equipping of the Improvements.

Section 3. Power of Attorney. The Lessee does hereby constitute the Lessor the true and lawful attorney of the Lessee, irrevocably, with full power (in the name of the Lessee or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for money due and to become due under, or arising out of, the Contracts to the extent that the same have been assigned hereby, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Lessor may seem to be necessary or advisable in the premises.

Section 4. Acquisition of Improvements. The Lessor agrees, subject to the conditions set forth in the Lease-Purchase Agreement and the Trust Agreement, that the Lessor will pay or cause to be paid to the respective Contractors the costs of the Improvements then to be purchased in accordance with the invoice price of such Improvements. The Lessor shall have no obligation to make, or cause to be made, the aforesaid payments otherwise than from funds (i) deposited with Lessor, as trustee, pursuant to the Trust Agreement and (ii) disbursed in accordance with the provisions of Article III of the Trust Agreement.

Section 5. Further Assurances. The Lessee agrees that at any time and from time-to-time, upon the written request of the Lessor, the Lessee will promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Lessor may reasonably request in order to obtain the full benefits of this Project Agreement and of the rights and powers herein granted.

Section 6. Warranties of Lessee. The Lessee hereby represents and warrants that the Contracts are in full force and effect and are enforceable in accordance with their respective terms and neither the Contractors (to the best of the Lessee's knowledge) nor the Lessee is in default thereunder. The Lessee hereby further represents and warrants that the Lessee has not assigned or pledged, and hereby covenants that it will not assign or pledge so long as this Project Agreement shall remain in effect, the whole or any part of the rights hereby assigned or to be assigned to anyone other than the Lessor.

Section 7. Intentions of the Parties. It is acknowledged by the Lessor and the Lessee that the Improvements are being acquired, constructed and equipped in accordance with plans and specifications prepared by or on behalf of the Lessee and that, notwithstanding the assignments made in this Project Agreement, it is the intention of the parties that the Lessee will be solely responsible for (i) the supervision and oversight of the completion of the Improvements in accordance with such plans and specifications, as the same may be amended, modified or supplemented pursuant hereto, (ii) control over the Contractors in connection with performance of their obligations under the Contracts, and (iii) any release of the Contractors from performance of their obligations under the Contracts.

Section 8. Indemnification. To the maximum extent permitted by law, the Lessee shall and hereby agrees to indemnify and save the Lessor harmless for, from and against any and all claims, losses and damages, including legal fees and expenses, arising out of the Contracts.

Section 9. Governing Law. This Project Agreement, and all of the rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of the State of Arizona.

Section 10. Cancellation of Contracts. All parties acknowledge that this Project Agreement is subject to cancellation by the Lessee pursuant to Arizona Revised Statutes Section 38-511, the provisions of which are incorporated herein. All parties represent that to, the best of their knowledge, no basis exists for the Lessee to cancel this Project Agreement pursuant to Arizona Revised Statutes Section 38-511 as of the date hereof. The Lessor covenants not to employ as an employee, an agent or, with respect to the subject matter of this Project Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Project Agreement on behalf of the Lessee within three (3) years from execution of this Project Agreement, unless a waiver of Arizona Revised Statutes Section 38-511 is provided by the Lessee.

Section 11. Execution in Counterparts. This Project 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 instrument.

[Signature page to follow]

IN WITNESS WHEREOF, the Lessor has caused this Project Agreement to be executed in its corporate name by its duly authorized officers, and the Lessee has caused this Project Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION, as Trustee, as Lessor

By: _____
Its: Assistant Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Its: Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

IN WITNESS WHEREOF, the Lessor has caused this Project Agreement to be executed in its corporate name by its duly authorized officers, and the Lessee has caused this Project Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION, as Lessor

By: _____
Its: Assistant Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Its: Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

EXHIBIT A

DESCRIPTION OF CONTRACTS

[To Be Added as Executed and Delivered]

Exhibit A

Parcel 1:

A Leasehold Estate in and to the following:

All of Lots 1, 2, 5, 6 and 7 and all that portion of Lot 8 in Block 196 of THE CITY OF TUCSON, Pima County, Arizona, according to the official field notes, map and survey, made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 8;
Thence Westerly along the North line of said Lot, 7 feet to a point;
Thence Southerly and parallel to the East line of said Lot, 7 feet to a point;
Thence Easterly and parallel with the North line of said Lot, 7 feet to a point on the East line of said lot;
Thence Northerly 7 feet to the PLACE OF BEGINNING.

EXCEPTING from said Lot 7, that portion thereof described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
West by the West line of Block 196; and
on the Southeast by the arc of a circle of radius 25 feet, concave to the Southeast and tangent to the North and West line of said three-sided parcel.

AND FURTHER EXCEPTING THEREFROM that portion of Lot 1 conveyed to the City of Tucson, a Municipal Corporation, by Deed recorded in Docket 4976, Page 527, described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
East by the East line of Block 196; and
Southwest by the arc of a circle of radius 25 feet, concave to the Southwest and tangent to the North and East line of said three-sided parcel.

PARCEL NO. 2:

Those rights and easements for parking, vehicular and pedestrian ingress and egress set forth in an Easement and Use Agreement dated September 22, 1976 and recorded September 30, 1976 in Docket 5368, Page 754.

Affecting all those parts of Lots 4 and 5 of Block 194 of the City of Tucson, Pima County, Arizona, according to the official field notes. map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 4;

Thence South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 4, a distance of 130.29 feet to the Northwest corner of said Lot 4;

Thence continuing South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 5, a distance of 25.22 feet to the Northeast corner of that parcel conveyed by Deed of Record in said office of the County Recorder in Book 205 of Deeds at Page 381;

Thence South 10 degrees 00 minutes 22 seconds East, along the East line of said parcel, 227.56 feet to a point in the North Wall of the Pioneer Pool and Patio Deck;

Thence North 77 degrees 21 minutes 47 seconds East, along said North wall, 24.91 feet to a point in the West line of said Lot 4 of Block 194, which point is South 10 degrees 00 minutes 22 seconds East along said West line, 222.33 feet from the Northwest corner of said Lot 4;

Thence North 76 degrees 31 minutes 31 seconds East, along said North wall 129.95 feet to a point in the East line of said Lot 4;

Thence North 10 degrees 20 minutes 37 seconds West along said East line, 193.36 feet to the POINT OF BEGINNING.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-1 Denomination: $1,235,000

Interest Rate	Maturity Date	Dated Date	CUSIP
4.000%	July 1, 2009	May 1, 2007	721664 BU3

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION TWO HUNDRED THIRTY-FIVE THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-2 Denomination: $1,610,000

Interest Rate	Maturity Date	Dated Date	CUSIP
4.000%	July 1, 2010	May 1, 2007	721664 BV1

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SIX HUNDRED TEN THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-3 Denomination: $1,675,000

Interest Rate	Maturity Date	Dated Date	CUSIP
4.000%	July 1, 2011	May 1, 2007	721664 BW9

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SIX HUNDRED SEVENTY-FIVE THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-4 Denomination: $1,740,000

Interest Rate	Maturity Date	Dated Date	CUSIP
4.000%	July 1, 2012	May 1, 2007	721664 BX7

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SEVEN HUNDRED FORTY THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-5 Denomination: $1,810,000

Interest Rate	Maturity Date	Dated Date	CUSIP
4.250%	July 1, 2013	May 1, 2007	721664 BY5

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION EIGHT HUNDRED TEN THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-6 Denomination: $1,890,000

Interest Rate	Maturity Date	Dated Date	CUSIP
4.250%	July 1, 2014	May 1, 2007	721664 BZ2

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION EIGHT HUNDRED NINETY THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

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CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-7 Denomination: $1,970,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2015	May 1, 2007	721664 CA6

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION NINE HUNDRED SEVENTY THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

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CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-8 Denomination: $2,065,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2016	May 1, 2007	721664 CB4

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION SIXTY-FIVE THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-9 Denomination: $2,170,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2017	May 1, 2007	721664 CC2

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION ONE HUNDRED SEVENTY THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-10 Denomination: $2,280,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2018	May 1, 2007	721664 CD0

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION TWO HUNDRED EIGHTY THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-11 Denomination: $2,395,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2019	May 1, 2007	721664 CE8

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION THREE HUNDRED NINETY-FIVE THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

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CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-12 Denomination: $2,515,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2020	May 1, 2007	721664 CF5

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION FIVE HUNDRED FIFTEEN THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

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SPECIMEN

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CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-13 Denomination: $2,640,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2021	May 1, 2007	721664 CG3

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION SIX HUNDRED FORTY THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, SERIES 2007-A

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-14 Denomination: $2,770,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.000%	July 1, 2022	May 1, 2007	721664 CH1

Registered Owner: CEDE & CO.

Principal Amount: TWO MILLION SEVEN HUNDRED SEVENTY THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2007-A (the "2007-A Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-A Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates; provided that interest with respect hereto shall be payable from the Interest Payment Date next

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preceding the date of execution of this 2007-A Certificate (unless (i) this 2007-A Certificate is executed prior to January 1, 2008, in which event interest shall be payable from the Dated Date identified above, (ii) this 2007-A Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this 2007-A Certificate is executed after the close of business on the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such fifteenth day is a Business Day, in which event interest shall be payable from such Interest Payment Date). If, as of the date of execution hereof, interest is in default with respect to any 2007-A Certificates of the issue of which this is one, interest hereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment, or, if prior to January 1, 2008, interest shall be payable from the Dated Date identified above, unless this 2007-A Certificate is executed after a Special Record Date (as defined in the hereinafter-described Trust Agreement) and before the following Special Interest Payment Date (as defined in the Trust Agreement), in which event interest shall be payable from the scheduled Interest Payment Date next preceding such date of execution. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum set forth above.

Said amounts representing the Registered Owner's share of the Lease Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described below, by check or draft mailed by the Trustee on each Interest payment Date to the Registered Owner at the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Lease Payments designated as interest shall be made on Special Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of $1,000,000 or more in aggregate principal amount of 2007-A Certificates as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a particular Special Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner's expense) on the Interest Payment Date or Special Interest Payment Date to such Registered Owner in accordance with written notice from such Registered Owner containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire transfer directed, which written notice is received not later than five (5) days prior to the Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for such Special Interest Payment Date. Said amounts representing the Registered Owner's share of the Lease Payments designated as principal are payable when due upon surrender of this 2007-A Certificate at the principal corporate trust office of the Trustee.

This 2007-A Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement between the Trustee and the Lessee, dated as of May 1, 2007 (the "Trust Agreement"), and is one of a series of certificates limited in aggregate principal amount to $28,765,000 (the 2007-A Certificates, together with the $1,555,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-B, dated as of May 1, 2007, being executed and delivered by the Trustee pursuant to the Trust Agreement

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contemporaneously with the 2007-A Certificates and any additional certificates which may hereafter be executed and delivered under the Trust Agreement being herein collectively referred to as the "Certificates"). The Lessee is authorized to enter into the Lease-Purchase Agreement and the Trust Agreement under the laws of the State of Arizona. Reference is hereby made to the Lease-Purchase Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2007-A Certificates are delivered, the rights thereunder of the Registered Owners of the 2007-A Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee under the Lease-Purchase Agreement, to all of the provisions of which Lease-Purchase Agreement and Trust Agreement the Registered Owner of this 2007-A Certificate, by acceptance hereof, assents and agrees.

The obligation of the Lessee to pay the Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. The obligation of the Lessee to pay Lease Payments does not constitute a debt of the Lessee, the State of Arizona or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The term of the Lease-Purchase Agreement is from the date thereof until the end of the Lessee's then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including July 1, 2022, unless terminated prior thereto in accordance with the provisions of the Lease-Purchase Agreement. The continuation of the Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments after the end of the Lessee's Fiscal Period during which the Lease-Purchase Agreement commenced is subject to and dependent upon the moneys necessary to make such payments being lawfully budgeted by the Lessee. If the Lessee fails to obtain prior to the last date on which the Lessee is required or permitted to adopt its budget for the next Fiscal Period a proper budgeting and final appropriation of the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the next occurring Fiscal Period for which such budgeting and appropriation are made, the Lease-Purchase Agreement shall terminate effective on the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which such funds were determined to be lawfully available and allocated, subject to reinstatement at the option of the Lessee within forty-five (45) days thereafter.

Upon the occurrence and continuance of any event of default under the Trust Agreement, the Trustee may, and at the written direction of the Certificate Insurer (as defined below) or, if the Certificate Insurer is in default of its payment obligations under the Certificate Insurance Policy (as defined below), the Owners of not less than five percent (5 %) in Aggregate Value (as defined in the Trust Agreement) of Certificates then outstanding shall, declare the principal amount of the Certificates then outstanding to be immediately due and payable; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay Lease Payments only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement.

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To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the Certificate Insurer and the Owners of a majority in Aggregate Value of the Certificates then outstanding, and may be amended without notice to or the consent of such Owners under certain circumstances, provided that no such amendment shall impair the right of any Owner to receive in any case such Owner's proportionate share of any Lease Payment or Prepayment thereof in accordance with such Owner's Certificate.

This 2007-A Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, 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 2007-A Certificate. Upon such transfer a new 2007-A Certificate or 2007-A Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange therefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes, whether or not this 2007-A Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

The 2007-A Certificates maturing on or after July 1, 2018 are subject to redemption prior to maturity in any order of maturity designated by the Lessee or, under certain circumstances, by lot by the Trustee, and by lot within a maturity on any date occurring on or after July 1, 2017, by payment of a redemption price equal to the principal amount of 2007-A Certificates being redeemed plus interest accrued to the date fixed for redemption, but without premium.

The 2007-A Certificates are also subject to redemption on any Interest Payment Date, in whole, or in part in any order of maturity designated by the Lessee, or, under certain circumstances, by lot by the Trustee, and by lot within a maturity from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest, without premium.

Notice of redemption shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date set for redemption to each Registered Owner of a 2007-A Certificate to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any 2007-A Certificate shall not affect the validity of the proceedings for the redemption of any other 2007-A Certificate. On the specified redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Trust Agreement provided funds for redemption are on deposit at the place of payment at that time.

Ambac Assurance Corporation (the "Certificate Insurer") has issued its financial guaranty policy (the "Certificate Insurance Policy") with respect to the 2007-A Certificates. Under the Trust Agreement, the Certificate Insurer is deemed to be the Owner of a sufficient percentage of the 2007-A Certificates (i) to initiate any action or effect any demand which Owners may initiate or effect and (ii) to approve or disapprove any action, forbearance or amendment which is subject to Owner approval or initiation, provided that the Certificate Insurer is not in default on its payment obligations under the Certificate Insurance Policy.

SPECIMEN

IN WITNESS WHEREOF, this 2007-A Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: May ____, 2007

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Its: Authorized Representative

SPECIMEN

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. 26524BE (the "Policy") with respect to payments due for principal of and interest on this Certificate has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Certificate acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

SPECIMEN

ABBREVIATIONS

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 _____
(Cust) (Minor)
Under Uniform Gifts/Transfers to
Minors Act _____
(State)

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

ASSIGNMENT

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

_____

(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee)

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

Dated: _____

_____

Signature Guaranteed:

_____

(Signature guarantee should be made by a guarantor institution participating in the securities transfer agents medallion program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

SPECIMEN

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, TAXABLE SERIES 2007-B

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-1 Denomination: $1,245,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.220%	July 1, 2008	May 1, 2007	721664 CJ7

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION TWO HUNDRED FORTY-FIVE THOUSAND AND NO/100 DOLLARS

SPECIMEN

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Taxable Series 2007-B (the "2007-B Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-B Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates;

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OR TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CERTIFICATE OF PARTICIPATION, TAXABLE SERIES 2007-B

Evidencing a Proportionate Interest of the Owner
Hereof in Lease Payments to be Made by

PIMA COUNTY, ARIZONA

No: R-2 Denomination: $310,000

Interest Rate	Maturity Date	Dated Date	CUSIP
5.040%	July 1, 2009	May 1, 2007	721664 CK4

Registered Owner: CEDE & CO.

Principal Amount: THREE HUNDRED TEN THOUSAND AND NO/100 DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Taxable Series 2007-B (the "2007-B Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2007-B Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year (the "Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the Interest Payment Dates;

SPECIMEN

provided that interest with respect hereto shall be payable from the Interest Payment Date next preceding the date of execution of this 2007-B Certificate (unless (i) this 2007-B Certificate is executed prior to January 1, 2008, in which event interest shall be payable from the Dated Date identified above, (ii) this 2007-B Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this 2007-B Certificate is executed after the close of business on the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such fifteenth day is a Business Day, in which event interest shall be payable from such Interest Payment Date). If, as of the date of execution hereof, interest is in default with respect to any 2007-B Certificates of the issue of which this is one, interest hereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment, or, if prior to January 1, 2008, interest shall be payable from the Dated Date identified above, unless this 2007-B Certificate is executed after a Special Record Date (as defined in the hereinafter-described Trust Agreement) and before the following Special Interest Payment Date (as defined in the Trust Agreement), in which event interest shall be payable from the scheduled Interest Payment Date next preceding such date of execution. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum set forth above.

Said amounts representing the Registered Owner's share of the Lease Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described below, by check or draft mailed by the Trustee on each Interest payment Date to the Registered Owner at the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Lease Payments designated as interest shall be made on Special Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of $1,000,000 or more in aggregate principal amount of 2007-B Certificates as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a particular Special Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner's expense) on the Interest Payment Date or Special Interest Payment Date to such Registered Owner in accordance with written notice from such Registered Owner containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire transfer directed, which written notice is received not later than five (5) days prior to the Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for such Special Interest Payment Date. Said amounts representing the Registered Owner's share of the Lease Payments designated as principal are payable when due upon surrender of this 2007-B Certificate at the principal corporate trust office of the Trustee.

This 2007-B Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement between the Trustee and the Lessee, dated as of May 1, 2007 (the "Trust Agreement"), and is one of a series of certificates limited in aggregate principal amount to $1,555,000 (the 2007-B Certificates, together with the $28,765,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, dated as of May 1,

SPECIMEN

2007, being executed and delivered by the Trustee pursuant to the Trust Agreement contemporaneously with the 2007-B Certificates any additional certificates which may hereafter be executed and delivered under the Trust Agreement being herein collectively referred to as the "Certificates"). The Lessee is authorized to enter into the Lease-Purchase Agreement and the Trust Agreement under the laws of the State of Arizona. Reference is hereby made to the Lease-Purchase Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2007-B Certificates are delivered, the rights thereunder of the Registered Owners of the 2007-B Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee under the Lease-Purchase Agreement, to all of the provisions of which Lease-Purchase Agreement and Trust Agreement the Registered Owner of this 2007-B Certificate, by acceptance hereof, assents and agrees.

The obligation of the Lessee to pay the Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. The obligation of the Lessee to pay Lease Payments does not constitute a debt of the Lessee, the State of Arizona or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The term of the Lease-Purchase Agreement is from the date thereof until the end of the Lessee's then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including July 1, 2022, unless terminated prior thereto in accordance with the provisions of the Lease-Purchase Agreement. The continuation of the Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments after the end of the Lessee's Fiscal Period during which the Lease-Purchase Agreement commenced is subject to and dependent upon the moneys necessary to make such payments being lawfully budgeted by the Lessee. If the Lessee fails to obtain prior to the last date on which the Lessee is required or permitted to adopt its budget for the next Fiscal Period a proper budgeting and final appropriation of the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the next occurring Fiscal Period for which such budgeting and appropriation are made, the Lease-Purchase Agreement shall terminate effective on the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which such funds were determined to be lawfully available and allocated, subject to reinstatement at the option of the Lessee within forty-five (45) days thereafter.

Upon the occurrence and continuance of any event of default under the Trust Agreement, the Trustee may, and at the written direction of the Certificate Insurer (as defined below) or, if the Certificate Insurer is in default of its payment obligations under the Certificate Insurance Policy (as defined below), the Owners of not less than five percent (5 %) in Aggregate Value (as defined in the Trust Agreement) of Certificates then outstanding shall, declare the principal amount of the Certificates then outstanding to be immediately due and payable; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay Lease Payments only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement.

SPECIMEN

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the Certificate Insurer and the Owners of a majority in Aggregate Value of the Certificates then outstanding, and may be amended without notice to or the consent of such Owners under certain circumstances, provided that no such amendment shall impair the right of any Owner to receive in any case such Owner's proportionate share of any Lease Payment or Prepayment thereof in accordance with such Owner's Certificate.

This 2007-B Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, 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 2007-B Certificate. Upon such transfer a new 2007-B Certificate or 2007-B Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange therefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes, whether or not this 2007-B Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

The 2007-B Certificates are subject to redemption on any Interest Payment Date, in whole, or in part in any order of maturity designated by the Lessee, or, under certain circumstances, by lot by the Trustee, and by lot within a maturity from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest, without premium.

Notice of redemption shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date set for redemption to each Registered Owner of a 2007-B Certificate to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any 2007-B Certificate shall not affect the validity of the proceedings for the redemption of any other 2007-B Certificate. On the specified redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Trust Agreement provided funds for redemption are on deposit at the place of payment at that time.

Ambac Assurance Corporation (the "Certificate Insurer") has issued its financial guaranty policy (the "Certificate Insurance Policy") with respect to the 2007-B Certificates. Under the Trust Agreement, the Certificate Insurer is deemed to be the Owner of a sufficient percentage of the 2007-B Certificates (i) to initiate any action or effect any demand which Owners may initiate or effect and (ii) to approve or disapprove any action, forbearance or amendment which is subject to Owner approval or initiation, provided that the Certificate Insurer is not in default on its payment obligations under the Certificate Insurance Policy.

SPECIMEN

IN WITNESS WHEREOF, this 2007-B Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: May ____, 2007

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Its: Authorized Representative

SPECIMEN

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. 26524BE (the "Policy") with respect to payments due for principal of and interest on this Certificate has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Certificate acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

SPECIMEN

ABBREVIATIONS

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 _____
(Cust) (Minor)
Under Uniform Gifts/Transfers to
Minors Act _____
(State)

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

ASSIGNMENT

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

_____

(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee)

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

Dated: _____ _____

Signature Guaranteed:

_____

(Signature guarantee should be made by a guarantor institution participating in the securities transfer agents medallion program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

SPECIMEN

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: PIMA COUNTY, ARIZONA

Policy Number: 26524BE

Obligations: (AS DESCRIBED ON THE REVERSE HEREOF)

Premium: $137,464.89

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATE SEAL WISCONSIN

Secretary

Effective Date: May 1, 2007

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

A- 11169

Obligations: $28,765,000 in aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, dated May 1, 2007 and maturing on July 1 in the years 2009 through 2022, both inclusive; and

$1,555,000 in aggregate principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B dated May 1, 2007 and maturing on July 1 in the years 2008 and 2009.

The Paying Agent is U.S. Bank National Association, Phoenix, Arizona.

The undersigned hereby certifies that this document is a true and correct copy of the Financial Guaranty Insurance Policy. Policy No. **26524BE** issued by AMBAC ASSURANCE CORPORATION.

Tanisha Richardson
Assistant Secretary

Date: April 27, 2007

$28,765,000	$1,555,000
CERTIFICATES OF PARTICIPATION	CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)	(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate	Evidencing a Proportionate
Interest of Owners thereof in	Interest of Owners thereof in
Lease Payments to be Made by	Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee	PIMA COUNTY, ARIZONA, As Lessee
SERIES 2007-A	TAXABLE SERIES 2007-B

CERTIFICATE PURCHASE CONTRACT

April 18, 2007

Pima County, Arizona
130 West Congress Street
Tucson, Arizona 85701

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

RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter"), acting not as agent of either of the addressees, but on behalf of the Underwriter, offers to enter into the following agreement with Pima County, Arizona (the "County"), and U.S. Bank National Association, as trustee (including, as applicable, in its capacity as "Lessor" as hereinafter described, the "Trustee"), which, upon written acceptance of this offer, will be binding upon the County, the Trustee and the Underwriter. This offer is made subject to written acceptance hereof by the County and the Trustee before 11:59 p.m., Mountain Standard Time, on the date indicated above, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the County and the Trustee at any time prior to the acceptance hereof. Unless the context otherwise indicates, any capitalized term not defined in this Certificate Purchase Contract (this "Contract") shall have the meaning assigned to it in the Trust Agreement described in Section 1 hereof or in the Official Statement described in Section 3 hereof.

1. Purchase and Sale of the Certificates. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase all, but not less than all, and the County agrees to cause the Trustee to execute and deliver to the Underwriter all, of the $28,765,000 principal amount of Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and $1,555,000 principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "Series 2007-B Certificates" and, together with the 2007-A Certificates, the "Certificates") evidencing proportionate ownership interests in the Lease Payments to be made by the County.

Inasmuch as this purchase and sale represents a negotiated transaction, the County and the Trustee understand and hereby confirm that the Underwriter is not acting as a fiduciary of the County or the Trustee, but rather is acting solely in its capacity as underwriter for its own account. Any financial advisory relationship between the Underwriter and the County and the Trustee (if such relationship has existed or now exists) with respect to the Certificates is hereby terminated, and the County and the Trustee hereby expressly consent to the acquisition or participation in the purchase of the Certificates on a negotiated basis by the Underwriter. If a financial advisory relationship exists, there may be a conflict of interest in changing from the capacity of financial advisor to Underwriter, and the County and the Trustee hereby expressly acknowledge such circumstances.

The County and the Trustee also hereby acknowledge that Squire Sanders & Dempsey L.L.P., "Special Counsel," represents the Underwriter in financing transactions for other Arizona issuers and hereby waive any conflict of interest that may exist as a result of such representation by Special Counsel.

The principal amount of the Certificates to be issued, the dated date therefor, the maturities, optional and mandatory redemption provisions and interest rates per annum are set forth in the Schedule hereto. The Certificates shall be as described in, and shall be executed, delivered and secured under and pursuant to the provisions of, a Trust Agreement, to be dated as of May 1, 2007 (the "Trust Agreement"), between the County and the Trustee, and authorized by Resolution No. 2007-24 of the Board of Supervisors of the County adopted on February 6, 2007 (the "Resolution"). The proceeds of the sale of the Certificates will be used to acquire and make improvements to an existing office tower and underlying site, located in the City of Tucson, Arizona, for use primarily by criminal justice personnel of the County and to acquire and construct replacement facilities of the County's Community Services Department on a site owned by the County and located in the City of South Tucson, Arizona, and to pay the costs of issuance of the Certificates.

The purchase price of the Certificates shall be $31,337,926.55. The purchase price represents the aggregate of: (1) the par amount of the Certificates of $30,320,000; (2) plus the

original issue premium on the 2007-A Certificates of $1,427,246.55 and less the compensation of the Underwriter of $409,320.00. At the request and on behalf of the County, the Underwriter will pay a municipal bond insurance premium of $137,464.89 from proceeds of the sale of the Certificates, and such payment will be deducted from the purchase price. Based on the initial offering prices to the public of the Certificates as reflected on the inside cover page of the Final Official Statement (as hereafter defined), the Underwriter anticipates receiving compensation of $409,320.00. The Underwriter shall also be reimbursed for its expenses as set forth in Section 9 of this Contract.

The Certificates represent undivided proportionate interests of the owners thereof in lease payments (the "Lease Payments") to be received from the County pursuant to a Lease-Purchase Agreement, to be dated as of May 1, 2007 (the "Lease"), by and between the County and the Trustee, as the rental price for certain real property and improvements thereto (the "Leased Property"). The obligations of the County under the Lease will be payable exclusively from appropriated funds and will not be a general obligation or indebtedness of the County for any purpose.

2. Public Offering. The Underwriter agrees to make a *bona fide* public offering of all of the Certificates at a price not to exceed the public offering prices or yields set forth on the inside cover page of the Final Official Statement and may subsequently change such offering prices or yields without any requirement of prior notice. The Underwriter may offer and sell Certificates to certain dealers (including dealers depositing Certificates into investment trusts) and others at prices lower or yields higher than the public offering prices or yields stated on the cover of the Final Official Statement.

3. The Official Statement.

(a) The Certificates shall be offered for sale pursuant to a final Official Statement, dated April 18, 2007 (the "Final Official Statement"). Pursuant to the Resolution, the Board of Supervisors has on behalf of the County "deemed final" for purposes of the hereinafter described Rule a Preliminary Official Statement, dated April 10, 2007 (the "Preliminary Official Statement"), with respect to the Certificates, and the County has in all respects, ratified, approved and confirmed the use of copies of the Preliminary Official Statement, in connection with the public offering and sale of the Certificates. Collectively, the Final Official Statement and the Preliminary Official Statement are hereinafter called the "Official Statement."

(b) The Preliminary Official Statement has been prepared by or on behalf of the County for use in connection with the public offering, sale and distribution of the Certificates by the Underwriter. The County hereby represents and warrants that the Preliminary Official Statement was "deemed final" by the County as of

its date, except for the omission of such information permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(c) The County hereby authorizes the Final Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Certificates. The County shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the acceptance by the County of this Contract (but, in any event, not later than within seven (7) business days after the acceptance by the County of this Contract and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Final Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board.

(d) If, after the date of this Contract to and including the date the Underwriter is no longer required to provide the Final Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Rule) and (ii) the time when the Final Official Statement is available to any person from a nationally recognized municipal securities repository, but in no case less than twenty-five (25) days after the "end of the underwriting period" for the Certificates), if the County becomes aware of any fact or event which might or would cause the Final Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or if it is necessary to amend or supplement the Final Official Statement to comply with law, the County will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request) and if, in the opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to tine Final Official Statement, the County will forthwith prepare and furnish, at the expense of the County (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Final Official Statement so that the statements in the Final Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Final Official Statement will comply with law. If such notification shall be subsequent to the Closing, the County shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Final Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with a nationally recognized municipal securities

information repository. Unless otherwise notified in writing by the Underwriter, tile County can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing.

4. Representations, Warranties, and Covenants of the County. The undersigned on behalf of the County, but not individually, hereby represents and warrants to and covenants with, as applicable, the Underwriter that:

(a) The County is a political subdivision of the State of Arizona (the "State") duly created, organized and existing under the laws of the State and has full legal right, power and authority and at the date of the Closing will have full legal right, power and authority (i) to enter into and execute and deliver the Resolution, the Trust Agreement, the Lease, the Ground Lease, to be dated as of May 1, 2007 (the "Ground Lease"), by and between the County and the Trustee, the Project Agreement, to be dated as of May 1, 2007 (the "Project Agreement"), by and between the County and the Trustee, this Contract and the Undertaking (as defined in Section 7(j)(3) hereof) (the Resolution, the Trust Agreement, the Lease, the Ground Lease, the Project Agreement, this Contract, the Undertaking and such other documents referred to in this clause (i) are hereinafter collectively referred to as the "County Documents"), (ii) to approve, execute and authorize the use and distribution of the Official Statement and (iii) to carry out and consummate file transactions contemplated by the County Documents and the Official Statement, and the County has complied, and will at the date of the Closing be in compliance in all material respects, with the terms of the County Documents as they pertain to such transactions;

(b) By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly authorized all necessary action to be taken by it for (i) the adoption of the Resolution and the sale and execution and delivery of the Certificates, (ii) the approval, execution and delivery of, and the performance by the County of the obligations on its part contained in, the Certificates and the County Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the County Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the County in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The County Documents will constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Certificates, when paid for and executed and delivered, in accordance with the Resolution, the Trust Agreement and this Contract, will constitute legal, valid and binding obligations of the County entitled to the benefits of the Resolution and enforceable in accordance with

their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; and upon the execution and delivery of the Certificates as aforesaid, the Trust Agreement will provide, for the benefit of the holders, from time to time, of the Certificates, the legally valid and binding pledge of and lien it purports to create as set forth in the Trust Agreement;

(d) The County is not in breach of or default in any material respect under any applicable constitutional provision, law of the State or the United States or any applicable judgment or decree or any loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is otherwise subject, and 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 default or event of default by the County under any of the foregoing, and the execution and delivery of the Certificates and the County Documents and the adoption of the Resolution and compliance with the provisions on the part of the County contained herein and therein will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is otherwise subject nor will 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 County pledged to secure the Certificates or under the terms of any such law, regulation or instrument, except as provided by the Certificates and the Trust Agreement;

(e) 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 County of its obligations under the County Documents have been duly obtained, except such approvals, consents and orders as may be required under the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Certificates;

(f) Except as otherwise 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 overtly threatened against the County, affecting the existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale or execution and delivery of the Certificates or the appropriation of Lease Payments to pay the principal of and interest on the Certificates or in any way contesting or affecting the validity or enforceability of the Certificates or the County Documents, or contesting the exclusion from gross

income of interest on the 2007-A Certificates for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereto or contesting the powers of the County or any authority for the issuance of the Certificates, the adoption of the Resolution or the execution and delivery of the County Documents, nor, to the best knowledge of the County, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Certificates or the County Documents;

(g) While the Underwriter has participated and will participate with the County in the preparation and assemblage of the Preliminary Official Statement and the Final Official Statement, respectively, the County acknowledges and agrees that the County is primarily responsible for the content of the Preliminary Official Statement and the Final Official Statement and, as of the date thereof and hereof, the Preliminary Official Statement (excluding information under the headings "CERTIFICATE INSURANCE," "TAX MATTERS," "RATINGS" and "UNDERWRITING" and Appendices G and H) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) Unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Contract, at all times subsequent to the acceptance of the County hereof during the period up to and including the date of the Closing, the Official Statement (excluding information under the headings "CERTIFICATE INSURANCE," "TAX MATTERS," "RATINGS" and "UNDERWRITING" and Appendices G and H) will 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 under which they were made, not misleading;

(i) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Contract, at the time of each supplement or amendment thereto and (unless subsequently supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of the Closing, the Official Statement as so supplemented or amended (excluding information under the headings "CERTIFICATE INSURANCE," "TAX MATTERS," "RATINGS" and "UNDERWRITING" and Appendices G and H) will not contain any untrue statement or 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 under which made, not misleading;

(j) The County will apply, or cause to be applied, the proceeds from the sale of the Certificates as provided in and subject to all of the terms and provisions of the Trust Agreement and not take or omit to take any action which action or omission will

adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the 2007-A Certificates;

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

(l) The financial statements of, and other financial information regarding, the County in the Official Statement (i) fairly present the financial position and results of the County as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles ("GAAP") and (ii) have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as otherwise disclosed in the notes to such financial statements);

(m) Except as otherwise disclosed in the Official Statement, since June 30, 2006, the County has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, result of operations or condition, financial or otherwise, of the County that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business;

(n) Prior to the Closing, and to the extent this provision would otherwise be enforceable pursuant to applicable law, the County will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, except in the ordinary course of business, without the prior approval of the Underwriter which shall not be unreasonably withheld;

(o) The County is not a party to any contract or agreement or subject to any restriction, the performance of or compliance with which has or could be expected to have a material adverse effect on the financial condition or operations of the County, except as described in the Official Statement;

(p) Except as disclosed in the Official Statement, the County is not a party to any litigation or other proceeding pending or threatened which, if decided adversely to the County, would have a materially adverse effect on the financial condition of the County or on the Leased Property, and except as disclosed in the Official Statement, the County is not a party to any contract or agreement or subject to any restriction, the performance of or compliance with which has or could be expected to have a material adverse effect on the financial condition, operations or prospects of the County or the ability of the County to comply with all the requirements set forth in the Official Statement, the Resolution or the County Documents;

(q) Any certificate, signed by any official of the County authorized to do so in connection with the transactions contemplated by this Contract, shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein;

(r) The County has fully submitted to the Arizona Department of Revenue the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the County pursuant to Section 35-501(B), Arizona Revised Statutes, and the County shall file the information relating to the Certificates required to be submitted to the Arizona Department of Revenue pursuant to Section 35-501(B), Arizona Revised Statutes, within sixty (60) days of the date of the Closing;

(s) The County shall execute and deliver prior to Closing, and in time for the Closing to occur at its specified time, the documents required to cause the Certificates to be eligible for deposit with DTC (as hereinafter defined) or other securities depositories and

(t) Except as disclosed in the Official Statement, the County is in compliance in all material respect with the terms of all continuing disclosure undertakings previously executed by the County.

5. Representations of the Trustee/Lessor. The Trustee (including in its capacity as the Lessor) hereby represents and warrants to and covenants with, as applicable, the Underwriter that:

(a) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America and has full power and authority to (i) acquire and hold title to the Leased Property and (ii) execute and deliver and perform its obligations under this Contract, the Certificates, the Lease, the Ground Lease, the Project Agreement and the Trust Agreement (such documents referred to in this clause (ii) are hereinafter collectively referred to as the "Trustee Documents") and all other documents executed and delivered by the Trustee in connection with the

issuance of the Certificates and the acquisition and the lease-purchase of the Leased Property;

(b) The Trustee has by proper corporate action duly authorized (i) the acquisition of title to the Leased Property and (ii) the execution and delivery of, and the due performance of its obligations under the Trustee Documents;

(c) This Contract has been duly executed and delivered by the Trustee, and the other Trustee Documents (when executed and delivered by the other parties thereto) and the Contract will be, legal, valid and binding obligations of the Trustee, enforceable in accordance with their terms, subject as to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws in effect from time to time affecting the rights of creditors generally and to the availability of equitable relief;

(d) No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained (other than any approvals that may be required under the "blue sky" laws of any jurisdiction) is required with respect to the Trustee in connection with the issuance and sale of the Certificates, the acquisition of title to the Leased Property or the execution and delivery by the Trustee of, or the performance by the Trustee of its obligations under, the Trustee Documents;

(e) The execution and delivery by the Trustee of the Trustee Documents and the compliance by the Trustee with the provisions hereof and thereof do not and will not materially conflict with or result in a material breach or violation of any of the terms or provisions of, or constitute a default under any resolution, indenture, deed of trust, mortgage commitment, agreement or other instrument to which the Trustee is a party or by which the Trustee is bound, or any constitutional provision, existing law, administrative regulation, court order or consent decree to which the Trustee or its property is subject;

(f) There is no litigation, action, suit or proceeding pending or threatened by or before any court, administrative agency, arbitrator or governmental body that challenges (i) the authority of the Trustee, its officers or its employees to acquire the Leased Property, (ii) the proper authorization, execution and delivery of the Trustee Documents, (iii) the assignment of its rights under the Lease, or (iv) the ability of the Trustee to otherwise perform its obligations under the Trustee Documents and to carry out the transactions contemplated hereby and thereby and

(g) The representations and warranties of the Trustee set forth in the Trustee Documents are, and as of the date of Closing will be, true, accurate and complete.

6. Closing. At 8:00 a.m., Mountain Standard Time, on May 1, 2007, or at such other time and date as may be mutually agreed

upon, the County will cause to be delivered to the Underwriter (the "Closing") through the facilities of The Depository Trust Corporation, New York, New York ("DTC"), or at such other place as may be mutually agreed upon, the Certificates in definitive form (all of the Certificates to be printed, duly executed, in the form of one Certificate per maturity representing the full amount of such maturity, and bearing CUSIP numbers (provided, however, that lack of said CUSIP numbers shall not relieve the Underwriter from its obligations under this Contract to purchase the Certificates)), together with the other documents hereinafter mentioned. The Underwriter will accept such delivery and pay the purchase price therefor by check or by wire transfer or other funds which are immediately available funds on the date of the Closing payable to the Trustee on behalf of the County. The Certificates will be made available for checking at DTC or some other mutually agreeable place two business days prior to the Closing and will be delivered as registered Certificates in the name of Cade & Co., as the nominee of DTC.

7. Closing Conditions. The Underwriter has entered into this Contract in reliance upon the representations, warranties and agreements of the County and the Trustee contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the County and the Trustee of their obligations hereunder and thereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the obligations of the Underwriter under this Contract to purchase, to accept delivery of and to pay for the Certificates shall be conditioned upon the performance by the County and the Trustee of their obligations to be performed hereunder and under 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 County and the Trustee of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the County and the Trustee contained herein 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) The County and the Trustee shall have performed and complied with all agreements and conditions required by this Contract to be performed or complied with by it prior to or at the date of the Closing;

(c) At the time of the Closing, (i) the County Documents and the Certificates shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Final Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the County and the Trustee required to be taken by the County and the Trustee shall be performed and in full force and effect in order for

Special Counsel and Counsel for the Underwriter (as hereinafter defined) to deliver their respective opinions referred to hereafter;

(d) At or prior to the Closing, the Resolution shall have been duly adopted and delivered by the County;

(e) At or prior to the Closing, the financial guaranty insurance policy (the "Policy") with respect to the Certificates shall have been duly executed, issued and delivered by Ambac Assurance Corporation (the "Insurer");

(f) At the time 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 County, from that set forth in the Final Official Statement that in the reasonable judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Certificates on the terms and in the manner contemplated in the Final Official Statement;

(g) At the date of the Closing, no "event of default" shall have occurred or be existing under the County Documents or the Trustee 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 under the County Documents or the Trustee Documents;

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

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

(j) At or prior to the Closing, the Underwriter shall have received two copies of the transcript of all proceedings of the County relating to the authorization and delivery of the County Documents and the Resolution, executed and certified, as necessary, by appropriate officials of the County, and the Trustee relating to the authorization and delivery of the Trustee Documents, executed and certified, as necessary, by appropriate officials of the Trustee, including each of the following documents:

(1) The Final Official Statement, and each supplement or amendment thereto, if any;

(2) A Continuing Disclosure Undertaking of the County (the "Undertaking") which satisfies the requirements of section (b)(5)(i) of the Rule and which is substantially in the form set forth in the Preliminary Official Statement with such changes as may be agreed to in writing by the Underwriter;

(3) The approving opinion of Special Counsel with respect to the Certificates, in substantially the form attached to the Preliminary Official Statement and a letter from Special Counsel addressed to the Underwriter permitting the Underwriter to rely upon the opinion of Special Counsel;

(4) A supplemental opinion of Special Counsel addressed to the Underwriter, substantially to the effect that:

(i) the Resolution has been duly adopted and is in full force and effect;

(ii) it is not necessary, in connection with the offering and sale of the Certificates, to register the Certificates under the Securities Act of 1933, as amended (the "1933 Act") or to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

(iii) the statements and information contained in the Final Official Statement on the cover page thereof, under the headings entitled "INTRODUCTORY STATEMENT," "DESCRIPTION OF THE 2007 CERTIFICATES," "PLAN OF FINANCE," "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES," "SECURITY FOR THE 2007 CERTIFICATES," "TAX MATTERS" and "CONTINUING SECONDARY MARKET DISCLOSURE" (other than matters relating to the County's compliance with prior undertakings as to which no opinion shall be expressed) therein, and in Appendices C, D and E thereto, insofar as such statements and information summarize certain provisions of the Certificates, the County Documents and certain provisions of Arizona and federal law, including the federal and Arizona income status of interest on the Certificates, fairly present the information purported to be shown and that nothing has come to the attention of such counsel which would lead them to believe that such information contains any untrue statement of a material fact or that such information, taken collectively, omits to state any material fact that is necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in their entirety by, the complete documents which are summarized;

(iv) this Contract has been duly authorized, executed and delivered by the County and (assuming due authorization and execution by the Trustee and the Underwriter) is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy and judicial discretion;

(v) the Undertaking has been duly authorized, executed and delivered by the County and is a legal, valid and binding obligation of the County, enforceable in accordance with its terms; subject to customary exceptions and

(vi) 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 that those that have been obtained or will be obtained prior to the delivery of the Lease, the Trust Agreement, the Undertaking and this Contract) is required in connection with the execution, delivery and performance by the County of the Lease, the Trust Agreement, the Undertaking and this Contract.

(5) An opinion of counsel to the Trustee, addressed to the Underwriter, substantially to the effect that:

(i) the Trustee is a corporation duly organized and validly existing under the laws of the United States of America;

(ii) the Trustee has all necessary corporate and trust powers required to carry out the trust intended under the Trust Agreement and to otherwise perform its obligations under the Trustee Documents;

(iii) the Trustee Documents have each been duly authorized, executed and delivered by the Trustee and each constitutes a legal, valid and binding obligation of the Trustee enforceable against the Trustee in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights and

(iv) based solely upon the knowledge of such counsel and the representations of the Trustee in connection with the Trustee Documents, there is no action, suit or proceeding, at law or in equity, before or by any other court, government agency, public board or body, or pending against the Trustee, affecting or seeking to prohibit, restrain or enjoin the execution or delivery of the Certificates or in any way contesting or affecting the validity or enforceability of the Trustee Documents or contesting the corporate or trust powers of the Trustee or the authority of the Trustee to execute and deliver the Trustee Documents.

(6) An opinion of the Pima County Attorney's Office, addressed to the Underwriter and Special Counsel, substantially in the forms attached hereto as Exhibit A;

(7) An opinion, dated the date of the Closing and addressed to the Underwriter, of Greenberg Traurig, LLP, "Counsel for the Underwriter," in such form satisfactory to the Underwriter.

(8) A certificate, dated the date of Closing, of appropriate representatives of the County to the effect that, to the best knowledge, information and belief of those executing the certificate, (i) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) except as otherwise described in the Final Official Statement, no litigation or proceeding against it is pending or, to their knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the County to hold and exercise their respective positions, (b) contest the due organization and valid existence of the County, (c) contest the validity, due authorization and execution of the Certificates, the County Documents or the Trustee Documents, (d) attempt to limit, enjoin or otherwise restrict or prevent the County from functioning and appropriating Lease Payments or other amounts, including payments on the Certificates pursuant to the County Documents or (e) which if resolved adversely to the County, would have a material adverse effect on (I) the functioning of the County, the operations of the County, its revenues or its properties, or payment by the County of the amounts due under the Lease in the manner and time required thereby or (II) the validity or enforceability of the Lease or the financial condition of the County or its operations; (iii) the Resolution has been duly adopted by the County, is in full force and effect and has not been modified, amended or repealed, (iv) that the audited financial statements included as Appendix F to the Preliminary Official Statement and the Final Official Statement were true and correct as of June 30, 2006, and the other financial statements and other financial statistical data included in the Preliminary Official Statement and the Final Official Statement are true and correct as of the date of such certificate and (v) no event affecting the County has occurred since the date of the Final Official Statement which should be disclosed in the Final Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Final Official Statement (excluding the information under the headings "CERTIFICATE INSURANCE," "TAX MATTERS," "RATINGS," "UNDERWRITING" and Appendices G and H) is correct in all material respects and, as of the date of the Final Official Statement, did not, and, as of tile date of the Closing, 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 made

therein, in the light of the circumstances under which they were made, not misleading;

(9) A certificate of the County in form and substance satisfactory to Special Counsel and Counsel for the Underwriter (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the 2007-A Certificates will be used in a manner that would cause the 2007-A Certificates to be "arbitrage bonds" within the meaning of section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code and (b) certifying that to the best of the knowledge and belief of the County there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(10) Any other certificates and opinions required by the Resolution or the Trust Agreement for the issuance thereunder of the Certificates;

(11) Evidence satisfactory to the Underwriter that the Certificates have been rated "AAA" and "Aaa", respectively, based on issuance of the Policy and "A+" and "A1", respectively, independently by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies., and Moody's Investors Service, respectively, and that all such ratings are in effect as of the date of Closing (collectively, the "Ratings");

(12) A copy of the Policy, together with opinion of counsel to the Bond Insurer in form and substance satisfactory to the Underwriter;

(13) A certificate of the Insurer with respect to the accuracy of statements contained in the Official Statement regarding the Policy and the Insurer and the due authorization execution issuance and delivery of the Policy and Surety Bond;

(14) A certificate or certificates, dated the date of Closing, of an authorized officer of the Trustee that (i) the representations and warranties of the Trustee contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) that the Trustee has full power and authority to (A) exercise corporate trust powers in the State, (B) execute and deliver the Certificates and (C) execute and deliver, or acknowledge, as the case may be, and to perform its obligations under, the Trustee Documents; (iii) that the Trustee has by proper corporate action duly authorized the execution and delivery, or acknowledgement, of, and the due performance of its obligations under the Trustee Documents and the taking of any and all other actions as may be required on the part of the Trustee to carry out, give effect to and consummate the transaction contemplated by such Trustee Documents; and (iv) that the execution and delivery, or

acknowledgement, of the Trustee Documents by the Trustee and its compliance with terms thereof does not contravene any provision of any order, decree, writ or injunction known to the Trustee, or the Articles of Association or Bylaws of the Trustee, or result in breach of or default under, or require consent under any agreement, indenture or other instrument to which the Trustee is a patty or by which it is bound;

(15) The filing copy of the Information Return Form 8038-G (IRS) for the Certificates;

(16) The filing copy of the information required to be submitted to the Arizona Department of Revenue pursuant to Section 35-501(B), Arizona Revised Statutes;

(17) Specimen Certificates;

(18) Evidence of insurance or Qualified Self-Insurance required by the Lease to be maintained on the Leased Property and

(19) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the representations and warranties of the County contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the County on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the County.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this 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 County or the Trustee shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates contained in this Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates shall be terminated for any reason permitted by this Contract, this Contract shall terminate and the Underwriter, the County and the Trustee shall not be under any further obligation hereunder, except that the respective obligations of the Underwriter set forth in Section 9(c) hereof shall continue in full force and effect.

8. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Certificates if, between the date of this Contract and time of the Closing, the market price or marketability of the Certificates shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or and order, ruling, regulation (final, temporary, or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the 2007-A Certificates or, with respect to State taxation, of the interest on the 2007-A Certificates as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Certificates, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Certificates, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state "blue sky" or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Certificates as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Certificates or as to obligations of the general character of the Certificates, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(f) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the County, its property, income securities (or interest thereon), or the validity or enforceability of the Certificates;

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material tact or omits 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;

(h) there shall have occurred since the date of this Contract any materially adverse change in the affairs or financial condition of the County;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the judgment of the Underwriter, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred any downgrading, or any notice shall have been given of (A) any intended or potential downgrading or (B) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the obligations of the County (including the rating to be accorded the Certificates) or the rating of the Insurer or

(l) the purchase of and payment for the Certificates by the Underwriter, or the resale of the Certificates by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

9. Expenses.

(a) The County will pay, but solely from the proceeds of the Certificates, (i) the cost of the preparation, printing and

distribution of the Preliminary Official Statement and the Final Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation, printing and signing of the Certificates and the costs of depositing the Certificates with DTC; (iii) the fees and disbursements of Special Counsel; (iv) the fees and disbursements of Counsel for the Underwriter; (v) the initial fees and disbursements of U.S. Bank National Association, as Trustee and Lessor, provided, however, that the County shall be responsible for all other fees and disbursements of the Trustee and Lessor; (vi) fees and expenses incurred by the County or the Underwriter for the Policy and the Ratings and (vii) reasonable miscellaneous, normally occurring, "out-of-pocket" expenses incurred by the Underwriter in connection with the issuance of the Certificates.

(b) The Underwriter will pay (i) all advertising expenses in connection with the public offering of the Certificates and (ii) except as provided above, all other expenses incurred by it in connection with its public offering and distribution of the Certificates.

(c) If this Contract shall be terminated by the Underwriter because of any unreasonable failure or refusal on the part of the County to comply with the terms or to fulfill any of the conditions of this Contract, or if for any reason the County shall be unable to perform its obligations under this Contract, the County will reimburse the Underwriter for all "out-of-pocket expenses" (including the fees and disbursements of Counsel for the Underwriter) reasonably incurred by the Underwriter in connection with this Contract or the offering contemplated hereunder from any source legally available to it for such purpose.

10. Cancellation. To the extent applicable by provision of law, all parties acknowledge that this Contract is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein.

11. Notices. Any notice or other communication to be given under this Contract must be given by delivering the same in writing to:

To the County:	Pima County, Arizona 130 West Congress Street Tucson, Arizona 85701 Attention: County Administrator
To the Trustee:	U.S. Bank National Association 101 North First Avenue, Suite 1600 Phoenix, Arizona 85003 Attention: Corporate Trust Services

To the Underwriter: RBC Dain Rauscher Inc.
2398 East Camelback Road, Suite 700
Phoenix, Arizona 85016
Attention: Kurt Freund, Managing Director

12. Parties in Interest. This Contract as heretofore specified shall constitute the entire agreement among us and is made solely for the benefit of the County, 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 Contract may not be assigned by the County. All of the representations, warranties and agreements of the County and the Trustee contained in this 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 Certificates pursuant to this Contract; and (iii) any termination of this Contract.

13. Effectiveness. This Contract shall become effective upon the acceptance hereof by the County and shall be valid and enforceable at the time of such acceptance.

14. Choice of Law. This Contract shall be governed by and construed in accordance with the law of the State.

15. Severability. If any provision of this Contract shall be held or deemed to, 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 Contract invalid, inoperative or unenforceable to any extent whatever.

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

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

18. Counterparts. This 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.

If you agree with the foregoing, please sign the enclosed counterpart of this Contract and return it to the Underwriter. This 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.

Very truly yours,

RBC DAIN RAUSCHER INC., DOING BUSINESS UNDER THE NAME RBC CAPITAL MARKETS

By.....
Managing Director

Accepted and agreed to as of the date first above written

PIMA COUNTY, ARIZONA

By.....
Chair, Board of Supervisors

ATTEST:

By.....
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By.....
Timothy E. Pickrell

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By.....
Its: Assistant Vice President

Schedule to

Certificate Purchase Contract

$28,765,000 CERTIFICATES OF PARTICIPATION (JUSTICE BUILDING PROJECT) Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by PIMA COUNTY, ARIZONA, As Lessee SERIES 2007-A	$1,555,000 CERTIFICATES OF PARTICIPATION (JUSTICE BUILDING PROJECT) Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by PIMA COUNTY, ARIZONA, As Lessee TAXABLE SERIES 2007-B

MATURITY SCHEDULE

Maturity (July 1)	Principal Amounts Maturing	Interest Rates	Yield
	2007-A Certificates		
2009	$1,235,000	4.00%	3.68%
2010	1,610,000	4.00	3.71
2011	1,675,000	4.00	3.75
2012	1,740,000	4.00	3.83
2013	1,810,000	4.25	3.88
2014	1,890,000	4.25	3.92
2015	1,970,000	5.00	3.95
2016	2,065,000	5.00	4.01
2017	2,170,000	5.00	4.06
2018*	2,280,000	5.00	4.13
2019*	2,395,000	5.00	4.16
2020*	2,515,000	5.00	4.19
2021*	2,640,000	5.00	4.22
2022*	2,770,000	5.00	4.25
	2007-B Certificates		
2008	$1,245,000	5.22%	5.22%
2009	310,000	5.04	5.04

REDEMPTION PROVISIONS

Optional Redemption. The 2007-A Certificates maturing on or after July 1, 2018, will be subject to optional redemption prior to maturity, at the direction of the County, on any date on or after July

*Priced to redemption on July 1, 2017, the first available redemption date.

1, 2017, in whole or in part in any order of maturity selected by the County, at par, plus interest accrued to the redemption date.

Extraordinary Redemption. The Certificates will also be subject to redemption on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds of insurance or condemnation that are deposited in the Lease Payment Fund for such purpose as provided under the Lease, at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date.

EXHIBIT A

FORM OF OPINION OF PIMA COUNTY ATTORNEY'S OFFICE

[Date of the Closing]

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Phoenix, Arizona

Re: Pima County, Arizona Certificates of Participation, Series 2007

This opinion is rendered in connection with the execution and delivery by Pima County, Arizona (the "County"), of: a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), between the County, as lessee, and U.S. Bank National Association, as lessor (the "Lessor"); a Ground Lease, dated as of May 1, 2007 (the "Ground Lease"), between the County and the Lessor; a Project Agreement, dated as of May 1, 2007 (the "Project Agreement"), between the County and the Lessor; a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between the County and U.S. Bank National Association, as trustee (the "Trustee"); a Continuing Disclosure Undertaking, dated May 1, 2007 (the "Undertaking"), and a Certificate Purchase Contract, dated April 18, 2007 (the "Certificate Purchase Contract"), among the County, the Trustee and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets. The Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract are each authorized by a resolution adopted by the Board of Supervisors of the County on February 6, 2007 (the "Authorizing Resolution"). We have examined the transcript of proceedings relating to the execution and delivery of the Lease-Purchase Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract and such other documents as we considered necessary to our opinion. As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the above-mentioned proceedings and other documents, and have relied upon certificates, covenants and representations furnished to us by the County without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of execution and delivery of the Lease-

Purchase Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Agreement, that:

1. The authorization, approval and execution of the Lease-Purchase Agreement, the Trust Agreement, the Undertaking and Certificate Purchase Contract, the adoption of the Authorizing Resolution and all other proceedings of the County relating to the authorization, approval and execution of the Lease-Purchase Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract have been carried out in conformance with the applicable open meeting and other laws of the State of Arizona.

2. The authorization, execution and delivery of the Lease-Purchase Agreement, Trust Agreement, the Undertaking and the Certificate Purchase Contract and compliance with the provisions thereof under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or of any existing law, administrative regulation, court order or consent decree to which the County or the Leased Property (as defined in the Lease-Purchase Agreement) is subject.

3. There are no lawsuits or administrative proceedings pending or, to the best of our knowledge, threatened, against the County (i) which in any way question (a) the validity and the proper authorization, approval and execution of the Lease-Purchase Agreement, the Trust Agreement, the Undertaking or the Certificate Purchase Contract, (b) the authority of the County or its officials to enter into the Lease-Purchase Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract or the ability of the County otherwise to perform its obligations under the Lease-Purchase Agreement, Trust Agreement, Undertaking and Certificate Purchase Contract and to carry out the transactions contemplated thereby or (ii) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Lease-Purchase Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract or the Leased Property or the financial condition of the County.

4. The statements in the Official Statement under the heading "LITIGATION" are true and correct in all material respects and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

PIMA COUNTY ATTORNEY

By.....

PRELIMARY OFFICIAL STATEMENT DATED APRIL 10, 2007

NEW ISSUE - BOOK-ENTRY-ONLY **RATINGS: See "Ratings" herein**

In the opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, the portion of the Lease Payments paid and denominated as interest under each Lease Agreement and received by the owners of the related 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the 2007-A Interest Portion is exempt from Arizona state income tax. Special Counsel expresses no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2007 Certificates in the event of termination of the Lease Agreement by nonappropriation. The 2007-A Interest Portion may be subject to certain federal taxes imposed only on certain corporations, including the alternative minimum tax on a portion of the 2007-A Interest Portion. Special Counsel will express no opinion with respect to the exclusion of interest relating to the 2007-B Certificates. For a more complete discussion of tax aspects, see "TAX MATTERS" herein.

$29,495,000*
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2007-A

$1,540,000*
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
TAXABLE SERIES 2007-B

Dated: May 1, 2007* **Due: July 1, as shown on inside front cover**

The securities being offered hereby consist of Certificates of Participation, Series 2007-A (Justice Building Project) (the "2007-A Certificates") and Certificates of Participation, Taxable Series 2007-B (Justice Building Project) (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates") in a Lease-Purchase Agreement, dated as of May 1, 2007* (the "Lease"), between U.S. Bank National Association, as trustee under the below described Trust Agreement, as lessor, and Pima County, Arizona, as lessee (the "County"). The 2007 Certificates are being executed and delivered under a Trust Agreement, dated as of May 1, 2007* (the "Trust Agreement") between U.S. Bank National Association, as trustee (the "Trustee"), and the County. Initially, the 2007 Certificates will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2007 Certificates. Purchases of beneficial interest in the 2007 Certificates will be made in book-entry-only form in amounts of $5,000 of principal maturing on a specified date or any integral multiple thereof. Purchasers will not receive certificates representing the ownership interest in the 2007 Certificates purchased by them. See Appendix G – "BOOK-ENTRY-ONLY SYSTEM."

Interest with respect to the 2007 Certificates is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2008* until maturity or prior redemption, and principal with respect to the 2007 Certificates is payable annually in accordance with the schedule set forth on the inside front cover. So long as the 2007 Certificates are registered in the name of DTC, or its nominee, payments of the principal and interest with respect to the 2007 Certificates will be made directly by the Trustee to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the 2007 Certificates, as described herein.

The 2007 Certificates are subject to optional and extraordinary redemption prior to maturity as more fully described herein. See "THE 2007 CERTIFICATES--Redemption Provisions" herein.

The 2007 Certificates are being executed and delivered to (i) acquire and make improvements to an existing office tower and underlying site, located in the City of Tucson, Arizona, for use primarily by criminal justice personnel of the County (the "Leased Property") and acquire and contract replacement facilities for the County's Community Services Department on a site owned by the County and located in the City of South Tucson, Arizona, which is **not** part of the Leased Property, and (ii) pay costs associated with the execution and delivery of the 2007 Certificates. See "PLAN OF FINANCE" herein.

The 2007 Certificates evidence and represent undivided and proportionate interests of the registered Owners thereof in semiannual lease payments (the "Lease Payments") to be made by the County pursuant to the Lease. **The obligations of the County under the Lease are payable exclusively from annually appropriated funds and are not a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each fiscal year, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. Upon such termination, there is no assurance of payment of the principal or interest represented by the Certificates, including the 2007 Certificates, from funds available under the Trust Agreement as a result of the Trustee's re-leasing of the Leased Property.** See "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES" and "SECURITY FOR THE 2007 CERTIFICATES" herein.

The 2007 Certificates are payable solely from Lease Payments required to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make Lease Payments under the Lease is not secured by a pledge of any funds, does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation nor constitute a general obligation of the County nor an indebtedness of the County, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Payment of the principal and interest represented by the 2007 Certificates, when due, will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2007 Certificates.

Ambac

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2007 Certificates are offered when, as and if certain conditions are satisfied and subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel. Certain legal matters will be passed upon solely for the benefit of the Underwriter by its counsel, Greenberg Traurig, LLP. It is expected that the 2007 Certificates will be available for delivery through the facilities of DTC, on or about May 1, 2007.*

RBC CAPITAL MARKETS

April__, 2007

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. 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.

$29,495,000*
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by
PIMA COUNTY, ARIZONA
SERIES 2007-A

Maturity Schedule*

Maturity (July 1)	Principal Amount	Interest Rate	Yield
2009	$1,325,000		
2010	1,655,000		
2011	1,720,000		
2012	1,790,000		
2013	1,860,000		
2014	1,935,000		
2015	2,010,000		
2016	2,110,000		
2017	2,220,000		
2018	2,330,000		
2019	2,445,000		
2020	2,570,000		
2021	2,695,000		
2022	2,830,000		

$1,540,000*
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by
PIMA COUNTY, ARIZONA
TAXABLE SERIES 2007-B

Maturity Schedule*

Maturity (July 1)	Principal Amount	Interest Rate	Yield
2008	$1,280,000		
2009	260,000		

*Preliminary, subject to change.

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS

Richard Elías, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C.H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

SPECIAL COUNSEL

Squire, Sanders & Dempsey L.L.P.
Phoenix, Arizona

TRUSTEE

U.S. Bank National Association
Phoenix, Arizona

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offering of any security other than the original offering of the 2007 Certificates identified on the cover hereof. No person has been authorized by Pima County, Arizona (the "County") to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. 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 hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The issuance and sale of the 2007 Certificates have not been registered under the Federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the issuance and sale of the 2007 Certificates been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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 over allot or engage in transactions intended to stabilize the prices of the 2007 Certificates 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 County has undertaken to provide continuing disclosure with respect to the 2007 Certificates as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING SECONDARY MARKET DISCLOSURE" and Appendix E – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" 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.

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Appendix A: Pima County, Arizona -- Demographic and Economic Information

Appendix B: Pima County, Arizona -- Financial Information

Appendix C: Summary of Legal Documents

Appendix D: Form of Approving Legal Opinion

Appendix E: Form of Continuing Disclosure Undertaking

Appendix F: Audited Financial Statements For Pima County For The Fiscal Year Ended June 30, 2006

Appendix G: Book-Entry-Only System

Appendix H: Specimen Financial Guaranty Insurance Policy

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$29,495,000*
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by PIMA COUNTY, ARIZONA, As Lessee
SERIES 2007-A

$1,540,000*
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by PIMA COUNTY, ARIZONA, As Lessee
TAXABLE SERIES 2007-B

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and Appendices hereto (the "Official Statement"), has been prepared by Pima County, Arizona (the "County"), in connection with the original execution, delivery and sale of $29,495,000* Certificates of Participation, Series 2007-A (Justice Building Project) (the "2007-A Certificates") and $1,540,000* Certificates of Participation, Taxable Series 2007-B (Justice Building Project) (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates").

Certain capitalized terms used herein but not defined elsewhere are defined under "SUMMARY OF LEGAL DOCUMENTS – Certain Definitions" in Appendix C hereto.

The 2007 Certificates evidence and represent undivided and proportionate interests of the registered owners thereof in semiannual lease payments (the "Lease Payments") to be made by the County pursuant to a Lease-Purchase Agreement, dated as of May 1, 2007* (the "Lease"), between U.S. Bank National Association, as trustee under the below-described Trust Agreement, as lessor, and Pima County, Arizona, as lessee (the "County"). The 2007 Certificates are being executed and delivered under a Trust Agreement, dated as of May 1, 2007* (the "Trust Agreement"), between U.S. Bank National Association, as trustee (the "Trustee"), and the County.

The 2007 Certificates are being executed and delivered to (i) acquire and improve an existing office tower and underlying site (together the "Existing Facility"), located in the City of Tucson, Arizona, for use primarily by criminal justice personnel of the County (collectively, the "Leased Property") and acquire and construct replacement facilities for the County's Community Services Department on a site owned by the County and located in the City of South Tucson, Arizona (the "Community Services Department Facilities"), which are not part of the Leased Property, and (ii) pay costs associated with the execution and delivery of the 2007 Certificates. Upon delivery of the 2007 Certificates, title to the Existing Facility will be acquired by the Trustee and simultaneously conveyed to the County, subject to the Trustee's retention and the County's grant of a ground leasehold interest in the Existing Facility pursuant to a Ground Lease, dated as of May 1, 2007* (the "Ground Lease"), between the County and the Trustee. Pursuant to the Lease, the Trustee will lease back to the County the Existing Facility and agree to cause certain improvements to be made to such property (the "Improvements") with proceeds of the 2007 Certificates. See "PLAN OF FINANCE" herein.

The obligations of the County under the Lease are payable exclusively from annually appropriated funds and are not a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each fiscal year of the County, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. The Lease will also terminate upon the occurrence of an Event of Default thereunder by the County and the election of the Trustee to terminate the Term of the Lease and upon taking of all the Leased Property by eminent domain. In the event of any such termination, there is no assurance of payment of the principal or interest represented by the Certificates, including the 2007 Certificates, from funds available under the Trust Agreement or as a result of the Trustee's re-leasing of the Leased Property. See "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES" and "SECURITY FOR THE 2007 CERTIFICATES" herein.

* Preliminary, subject to change.

The 2007 Certificates are payable solely from Lease Payments required to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make Lease Payments under the Lease is not secured by a pledge of any funds, does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation and does not constitute a general obligation of the County, or an indebtedness of the County, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Under the Lease, the County is required to pay base rent comprising the Lease Payments equal to the principal and interest requirements represented by the outstanding 2007 Certificates, unless the Lease is terminated as provided therein. Such base rent will be held in trust by the Trustee only for payment to the registered Owners (as defined herein) of the 2007 Certificates. The County is also required to pay additional rent under the Lease, which includes payment of any taxes and assessments and the cost of maintenance and repair of the Leased Property and to pay other fees and obligations. See "SUMMARY OF LEGAL DOCUMENTS – Lease" in Appendix C hereto.

Unless and until discontinued, the 2007 Certificates will be held in book-entry form by The Depository Trust Company, a registered securities depository ("DTC"), and beneficial interests therein may only be purchased and sold, and payments of principal and interest represented by the 2007 Certificates will be made only to beneficial owners, through participants in the DTC system. Beneficial interests in the 2007 Certificates will be in denominations described on the cover page hereof. See Appendix G – "BOOK-ENTRY-ONLY SYSTEM".

Ambac Assurance Corporation (the "Insurer" or "Ambac") has committed to issue, effective as of the date of original delivery of the 2007 Certificates, its insurance policy (the "Policy") insuring the scheduled payment of principal and interest represented by the 2007 Certificates when due. See "CERTIFICATE INSURANCE." A specimen of the form of the Policy is included in this Official Statement as Appendix H.

The Insurer will have the right to consent on behalf of Owners of the Series 2007 Obligations to certain amendments to the Lease and the Trust Agreement without notice to or consent of such Owners. The Insurer will also have the right to control the exercise of remedies under the Lease and the Trust Agreement and to direct and control the acceleration of the 2007 Certificates.

Lease Payments are subject to reduction to the extent of any Prepayments of Lease Payments made with insurance or condemnation proceeds as a result of damage, destruction or condemnation of a portion of the Leased Property, which causes substantial interference with the County's use of the Leased Property; provided that the revised Lease Payments shall be sufficient to pay principal and interest represented by the Certificates remaining Outstanding after the application of the Net Proceeds of the insurance or self-insurance coverage or condemnation award to redeem a portion of the 2007 Certificates. See "LEASE – Lease Payments; Additional Rent; Reduction of Rental" in Appendix C hereto. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property in amounts required by the Lease. Proceeds from such self-insurance program and such condemnation awards will be applied either to repair or replace the Leased Property or to prepay all or a portion of the 2007 Certificates. See "DESCRIPTION OF THE 2007 CERTIFICATES – Redemption Provisions – Extraordinary" herein and "LEASE—Insurance" in Appendix C hereto.

This Official Statement contains descriptions of the 2007 Certificates, the Trust Agreement, the Ground Lease, the Project Agreement and the Lease. The descriptions of the 2007 Certificates, the Trust Agreement, the Ground Lease, the Project Agreement and the Lease and other documents described in this Official Statement (collectively, the "Financing Documents") do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the complete documents, copies of which are available from RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets (the "Underwriter") prior to the delivery of the 2007 Certificates.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No

representation is made that past experience, as shown by the financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes ("A.R.S.") or uncodified, or of the Arizona Constitution, are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

DESCRIPTION OF THE 2007 CERTIFICATES

General Provisions

The 2007 Certificates will be dated as of May 1, 2007* and will mature on the dates and in the principal amounts and represent interest at the respective per annum rates for each series, all as set forth on the inside front cover of this Official Statement. Interest represented by the 2007 Certificates will accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their dated date. Interest will be computed on the basis of a 360-day year of twelve 30-day months and payable on each January 1 and July 1, commencing on January 1, 2008* (each an "Interest Payment Date").

The 2007 Certificates will be delivered in the form of fully registered certificates without coupons registered in the name of Cede & Co. as registered Owner and nominee for DTC. The Trustee shall treat Cede & Co., as the registered Owner, as the absolute owner of the 2007 Certificates for all purposes, including making payments and sending notices.

So long as Cede & Co. is the registered Owner of the 2007 Certificates, as nominee for DTC, references herein to "Owners" or registered owners of the 2007 Certificates (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of such 2007 Certificates. When reference is made to any action which is required or permitted to be taken by the beneficial owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such beneficial owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

Subject to the provisions summarized in Appendix G - "BOOK-ENTRY-ONLY SYSTEM," the principal represented by each 2007 Certificate will be payable at the designated office of the Trustee. Interest represented by each 2007 Certificate will be paid on each Interest Payment Date by check drawn on the Trustee mailed on or before the Interest Payment Date to the registered owners as shown on the records of the Trustee as of the fifteenth day of the month immediately preceding such Interest Payment Date or, if such a day is not a business day, on the next succeeding business day or the Trustee may agree with a registered Owner of $1,000,000 or more in aggregate principal amount of the 2007 Certificates for another form of payment.

Redemption Provisions*

Optional. The 2007 Certificates maturing on and prior to July 1, 2017 will not be subject to optional redemption prior to maturity. The 2007 Certificates maturing on and after July 1, 2018 will be subject to optional redemption prior to maturity at the direction of the County, on any date on or after July 1, 2017 in whole or in part from maturities selected by the County and by lot within any maturity, at a redemption price equal to the principal amount thereof, plus interest accrued to the redemption date, without premium.

Extraordinary. The 2007 Certificates of each series will be subject to redemption on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds of insurance or condemnation that are deposited in the Lease Payment Fund for such purpose as provided under the Lease (see "LEASE – Insurance" and "—Eminent Domain" in Appendix C hereto), at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date.

*Preliminary, subject to change.

Selection of Certificates. Whenever less than all Outstanding 2007 Certificates are called for redemption, the series and maturities of the 2007 Certificates to be selected for redemption may be specified by the County or, if the County does not so specify, will be determined by the Trustee by lot, and within any maturity will be selected by lot or in such other manner as the Trustee shall deem fair.

Notice of and Procedure for Redemption

In the event any 2007 Certificates are called for redemption, notice thereof identifying the 2007 Certificates to be redeemed and specifying a redemption date and the redemption price are required to be given by the Trustee in the form of a redemption notice to DTC not less than 30 nor more than 60 days prior to the date fixed for redemption. See Appendix G – "Book-Entry-Only System."

All of the 2007 Certificates so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and will no longer be protected by and will not be deemed to be Outstanding under the provisions of the Trust Agreement.

Defeasance

If the County (i) pays the principal, interest and redemption premium, if any, of all Outstanding 2007 Certificates when the same becomes due and payable, or (ii) at or before maturity of all Outstanding 2007 Certificates, deposits money or Defeasance Obligations with the Trustee which, together with other available funds, are sufficient to pay the principal, interest and redemption premium, if any, of all Outstanding 2007 Certificates and any Additional Rent, the lien of the Trust Agreement and all covenants, agreements and obligations of the County and the Trustee securing or pertaining to the 2007 Certificates shall terminate, except for the obligation of the Trustee to make payment on the 2007 Certificates. (See "TRUST AGREEMENT – Defeasance" in Appendix C hereto.)

PLAN OF FINANCE

General

Substantially all of the proceeds from the sale of the 2007 Certificates will be deposited into the Project Fund held by the Trustee. The Trustee will immediately use approximately $24,100,000 of amounts in the Project Fund to acquire title to the portions of the Leased Property constituting the Existing Facility and underlying site and will simultaneously convey title to such property to the County, retaining a ground leasehold interest in such property under the Ground Lease. Pursuant to the Ground Lease, the Existing Facility will be leased to the Trustee through July 1, 2022, with no further ground lease payments due from the Trustee for such leasehold interest. The Trustee also agrees to pay from proceeds of the 2007 Certificates the costs of making certain improvements to the Existing Facility (the "Improvements") under a Project Agreement, dated as of May 1, 2007 (the "Project Agreement. Pursuant to the Lease, the Trustee will lease back to the County the Existing Facility, together with the Improvements (collectively, the "Leased Property"), which does **not** include the Community Services Department Facilities. Approximately $4,700,000 of amounts in the Project Fund are expected to pay or to reimburse the County for costs of making the Improvements and approximately $1,500,000 of such amounts are expected to pay or to reimburse the County for costs of acquiring and constructing the Community Services Department Facilities, in each case disbursed upon requisition by the County for such costs or reimbursement.

The balance of the net proceeds received from the sale of the 2007 Certificates will be deposited in the Delivery Costs Fund and used to pay costs related to the execution and delivery of the 2007 Certificates.

The Leased Property

The Existing Facility. The Existing Facility consists of a 22-story office tower containing approximately 193,000 square feet of space, situated on a site of approximately 0.91 acres or 39,699 square feet, located in downtown Tucson, Arizona. The Existing Facility, originally constructed in 1975 and known as the "Bank of America Plaza," is currently occupied by various commercial and business tenants, including a bank branch, telecommunications companies, law firms and individual attorneys and street-level restaurants and retail stores. In addition, communications antennae are located on the roof of the tower with related equipment closets in the

basement, under leases or license agreements. The building contains 32 on-site parking spaces and has a 50-year lease for 200 parking spaces in a City of Tucson-owned garage located within one block from the building.

The County is financing the acquisition of the Existing Facility and making the Improvements in order to relocate to a central location various criminal justice personnel of the County, including portions of the public defenders' office, probation services and other related departments. The Existing Facility in located across the street from the County's 22-story Legal Services Building and also across the street from the County's Superior Courts complex and Justice Courts. The County intends to begin moving employees into the Existing Facility immediately following execution and delivery of the 2007 Certificates, and while work on the Improvements is being completed. The County has expressed an immediate need for all space in the entire Existing Facility and, as space becomes available through expiration or early termination of leases by current tenants, plans to terminate its leases on space elsewhere and move additional personnel into the Leased Property as soon as the vacated space can be reconfigured and remodeled for County use. To the extent that they are compatible with the County's use of the Leased Property and do not adversely affect the tax-exempt status of the interest portion of Lease Payments relating to the 2007-A Certificates, the County may seek to retain street-level restaurant and retail stores and communications antennae on the roof in the Leased Property.

The Improvements. Upon occupying the Existing Facility, the County expects to make the Improvements so that the Existing Facility is better suited to County use needs. The Improvements include new chillers for the utility system, upgraded elevators in the building, telecommunications systems linking the building into the County's computer and telephone system, and remodeling to accommodate County office use. The estimated cost of the Improvements is $4,700,000, all of which will be financed with proceeds of the 2007 Certificates.

Insurance. The County is required in the Lease to purchase and maintain property insurance or self-insurance on the Leased Property in amounts not less than the full replacement cost of the Leased Property. The Lease requires that in the event of damage or destruction of the Leased Property, insurance or self-insurance proceeds will be applied to the replacement of the Leased Property or, in certain circumstances, for the extraordinary redemption of all or a portion of the Certificates. See "LEASE – Insurance" in Appendix C hereto.

Re-Lease upon Termination. In the event that the Lease is terminated, the Trustee is authorized to re-lease the Leased Property and to apply the proceeds therefrom toward the payment of the Certificates, including the 2007 Certificates

The Community Services Department Facilities

The Community Services Department Facilities will consist of acquisition and construction of a 9,000 square-foot, one-story building on a 1.3-acre site currently owned by the County and located in the City of South Tucson, Arizona. The facilities will be used to provide employment training and placement for the homeless. The new facility will replace other County facilities currently providing such services. The estimated cost of the Community Services Department Facilities is $1,500,000, all of which will be financed with proceeds of the 2007 Certificates. **The Community Services Department Facilities are not part of the Leased Property.**

Sources for Lease Payments

Although no specific revenue sources are pledged to or secure the 2007 Certificates, the County intends to utilize monies it receives from various sources as all or part of the funds used to pay the Lease Payments under the Lease, including rental income from private tenants currently in the Existing Facility. As the leases with such tenants expire and the current tenants move out, the County intends to use County General Fund monies it has been using to rent other office space in downtown Tucson from private landlords as all or part of the funds used to make Lease Payments. The County intends that any remaining funds necessary to make Lease Payments would be paid from General Fund monies.

SOURCES OF PAYMENT OF THE 2007 CERTIFICATES

Under the terms of the Trust Agreement, the 2007 Certificates are payable on a parity with any Additional Certificates executed and delivered pursuant to the Trust Agreement, solely from: (1) Lease Payments received by the Trustee from the County under the Lease, subject to termination of the Lease as provided under the Lease (see "SECURITY FOR THE 2007 CERTIFICATES"), (2) amounts from time to time deposited in the funds created under the Trust Agreement and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States in order to continue the exclusion of the interest represented by the 2007-A Certificates from gross income for federal income tax purposes) and (3) any Net Proceeds from insurance coverage or condemnation awards received by the Trustee from the damage, destruction or taking of the Leased Property or portion thereof pursuant to the Lease and the Trust Agreement or from exercise by the Trustee of any remedies under the Lease and the Trust Agreement upon default thereunder. See "LEASE -- Events of Default", "-- Eminent Domain" and "—Insurance" and "TRUST AGREEMENT -- Events of Default; Acceleration" in Appendix C hereto. Additionally, payments with respect to the 2007 Certificates will be secured pursuant to the financial guaranty insurance policy to be issued by the Insurer. See "CERTIFICATE INSURANCE."

The County is required under the Lease to make base Lease Payments semiannually in amounts sufficient to make interest and principal payments represented by the 2007 Certificates on December 15, 2007* and each June 15 and December 15 thereafter. The County's obligation under the Lease to pay Lease Payments during the term of the Lease is absolute and unconditional, but subject to (1) the County's right each year to terminate the Lease as of the end of each Fiscal Year by failing to budget and appropriate the full amount necessary to make all Lease Payments come due in the next Fiscal Year, (2) reduction of Lease Payments in the event of damage, destruction or condemnation of any portion of the Leased Property, and (3) termination of the Lease upon taking of all of the Leased Property by eminent domain, all as described below under "SECURITY FOR THE 2007 CERTIFICATES" and under "LEASE -- Lease of Leased Property" and "-- Lease Payments; Additional Rent; Reduction of Rental" in Appendix C hereto.

IN THE EVENT OF TERMINATION OF OR DEFAULTS UNDER THE LEASE, THERE IS NO ASSURANCE THAT THE TRUSTEE WILL HAVE ADEQUATE FUNDS UNDER THE TRUST AGREEMENT TO PAY INTEREST AND PRINCIPAL REPRESENTED BY THE CERTIFICATES, INCLUDING THE 2007 CERTIFICATES. See "RISK FACTORS -- Limitation on Remedies."

The source of payment by the County of the base Lease Payments will be monies in the County's General Fund which are available for such purpose pursuant to annual appropriation by the Board of Supervisors. See "PLAN OF FINANCE" and "SECURITY FOR THE 2007 CERTIFICATES."

SECURITY FOR THE 2007 CERTIFICATES

General

Each 2007 Certificate evidences an undivided and proportionate interest in Lease Payments under the Lease. The County's obligations to make Lease Payments and any other obligation under the Lease are subject to and dependent upon an annual budgeting and appropriation being made by the County to make such Lease Payments. The term of the Lease commenced on the date thereof, as amended, will continue through and including July 1, 2022*, unless terminated prior thereto. If the County does not budget and appropriate funds sufficient to pay Lease Payments in any succeeding Fiscal Year, the Lease will terminate as of the last day of the Fiscal Year for which Lease Payments were made and the County is required to vacate and return possession of the Leased Property to the Trustee, all in accordance with and subject to the terms of the Lease and the Trust Agreement. See "SECURITY FOR THE 2007 CERTIFICATES - Non-appropriation; Other Termination Events" below. In that event, the Trustee would be entitled to exercise all available remedies, which could include re-leasing the Leased Property. See "RISK FACTORS - Limitations on Remedies" below.

*Preliminary, subject to change

The County's obligation to make Lease Payments does not constitute a debt or liability of the County, the State or any political subdivision thereof within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision thereof is pledged to pay the principal or interest evidenced by the 2007 Certificates. Payments with respect to the 2007 Certificates will be made solely from amounts derived under the terms of the Lease, including the Lease Payments, and available amounts from time to time on deposit under the terms of the Trust Agreement. No funds are pledged by the County to pay Lease Payments.

As described under "Trust Agreement - The Insurer as Owner" in Appendix C hereto, the Insurer will have the right to consent on behalf of Owners of the 2007 Certificates (with limited exceptions) to amendments of the Lease and the Trust Agreement, without notice to or consent of such Owners.

Non-appropriation; Other Termination Events

If the County fails to obtain, on or before the third Business Day prior to the last date on which the County is required or permitted to adopt its budget for a fiscal year, proper budgeting and final appropriation by the Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the Fiscal Year for which such budgeting and appropriation are made, thereafter, the County will immediately notify the Trustee and the Insurer in writing of that fact. If on the last date on which the County is required or permitted to adopt its budget for a Fiscal Year no such proper budgeting and final appropriation by the Board of Supervisors shall have been made, all of the County's right, title and interest in and future obligations under the Lease and to all of the Leased Property shall terminate (subject to reinstatement as provided below), effective as of the last day of the last fiscal period for which such budgeting and appropriation were properly obtained and for which sufficient funds were determined to be lawfully available and allocated. The County shall be relieved of any subsequent obligation under the Lease with respect thereto, other than to return to the Trustee possession of all of the Leased Property as provided in the Lease and to pay any accrued and unpaid obligations.

The budget officials of the County have covenanted in the Lease that they will include in the budget presented to the Board of Supervisors sufficient funds for payment of all Lease Payments and Additional Rent when due, provided, however, pursuant to Arizona law, the budgeting and appropriation of money by the County is a legislative act of the Board of Supervisors and is beyond the control of the budgeting officials of the County.

If the Lease terminates as described above and if within forty-five (45) days after such date of termination amounts described above are determined to be available which would have permitted the Lease to have continued in effect with respect to the Leased Property if such amounts had been determined to be available prior to the termination date, then the Lease shall be reinstated with respect thereto and deemed renewed as of the day following the date of such termination.

In the event the County terminates the Lease, the County will have no further obligations under the Lease. Upon termination, the County is required by the Lease to surrender possession of the Leased Property to the Trustee. Such termination shall constitute an Event of Default under the Trust Agreement, if the Lease has not been reinstated, but such termination shall not be a default under the Lease. Upon such Event of Default under the Trust Agreement, the Trustee (with the consent of the Insurer) may exercise one or more of the remedies provided in the Trust Agreement, subject to receipt of indemnity satisfactory to it, including an option to re-lease its interest in the Leased Property, and to apply the proceeds of such disposition, if any, along with the moneys in the Lease Payment Fund, to the payment of 2007 Certificates. See "TRUST AGREEMENT -- Event of Default; Acceleration" in Appendix C hereto. However, there is no assurance that net revenues received by the Trustee from any re-lease of the Leased Property would be sufficient to pay in full all Outstanding 2007 Certificates. Should such a shortfall occur, the interest and principal represented by the 2007 Certificates, would be paid by the Trustee to the extent of moneys, if any, held by the Trustee under the Trust Agreement.

Upon an Event of Default under the Trust Agreement, the Trustee (with the consent of the Insurer) is required to take action to force the County to surrender possession of the Leased Property. However, the exercise by the Trustee of any other subsequent or additional remedies may be affected by the environmental condition of the Leased Property and the Trustee may decline to exercise such other remedies unless it is indemnified and obtains

assurances to its satisfaction that it will not become responsible for environmental liabilities. See "RISK FACTORS -- Limitation on Remedies."

Damage, Taking or Removal of Leased Property

The Leased Property is required to be insured or self-insured to the extent set forth herein under "LEASE – Insurance" in Appendix C hereto, which includes property insurance equal to the full replacement cost of the Leased Property. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property and other liabilities in amounts required by the Lease.

Under the Lease, the Net Proceeds of any insurance recoveries and proceeds of self-insurance resulting from any damage or destruction of the Leased Property by fire or other casualty must be deposited in the Insurance and Condemnation Fund established under the Trust Agreement. Moneys in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County, provided, however, that if the County notifies the Trustee and the Insurer within 90 days of such deposit of its determination that the replacement, repair, restoration, modification or improvement of the damaged portion of the Leased Property is not economically feasible or in the best interests of the County, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to effect extraordinary redemption of Outstanding 2007 Certificates (See "DESCRIPTION OF THE 2007 CERTIFICATES -- Redemption Provisions – Extraordinary") as follows: in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause redemption of all Outstanding 2007 Certificates, and in the event of damage or destruction of the Leased Property in part, if such Net Proceeds are sufficient, together with all other funds available therefor to redeem all Outstanding 2007 Certificates, such amounts shall be applied to the extraordinary redemption, in whole, of all Outstanding 2007 Certificates, or if such Net Proceeds, together with such other funds, are not sufficient to redeem all Outstanding 2007 Certificates, then the County shall have the option to either use such Net Proceeds to repair the Leased Property or to extraordinarily redeem the 2007 Certificates in part.

In the event of such partial redemption, the Lease Payments will be reduced to an amount sufficient to pay interest and principal represented by the Outstanding 2007 Certificates remaining after such partial redemption.

Under the Lease, the County will waive any right to terminate the Lease because of damage or destruction to the Leased Property, but retains the right to determine annually whether to appropriate Lease Payments for its next Fiscal Year.

If all the Leased Property is taken by eminent domain, the Net Proceeds of the condemnation award shall be used to extraordinarily redeem 2007 Certificates to the extent of such Net Proceeds and the Lease shall terminate as of the date possession is taken from the County.

If a part of the Leased Property is taken by eminent domain, or if all of the Leased Property is taken temporarily, then the Lease shall continue in effect and the Net Proceeds will be applied as follows: if the Trustee determines that either (1) such taking does not materially adversely affect the operation of the Leased Property and the Net Proceeds are not needed to replace the Leased Property, or (2) such taking does materially adversely affect remaining portions of the Leased Property or the ability of the County to meet any of its obligations under the Lease, then the Net Proceeds will be used to extraordinarily redeem 2007 Certificates in part (see "DESCRIPTION OF THE 2007 CERTIFICATES -- Redemption Provisions – Extraordinary"); otherwise, such Net Proceeds will be used to replace the taken Leased Property.

If there is a partial taking of the Leased Property, the Lease Payments shall be reduced to an amount sufficient to pay interest and principal represented by 2007 Certificates Outstanding after such partial redemption.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not used to redeem 2007 Certificates are required to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County. Any balance of the Net Proceeds remaining after such work has been completed is required to be deposited in the Lease Payment Fund and applied as a credit against the next subsequent Lease Payments.

Additional Certificates

Subject to certain conditions provided in the Trust Agreement, the Trustee may (with the consent of the Insurer) execute and deliver, at the direction of the County, Additional Certificates from time to time to provide funds to pay the costs of refunding Outstanding Certificates or to pay the costs of making any modifications or improvements to the Leased Property or to finance additional property as the County deems necessary or desirable. Such conditions include, but are not limited to, that the Lease remains in effect, that no Event of Default has occurred under the Trust Agreement, that such Additional Certificates do not affect the tax-exempt status of the Outstanding Certificates then bearing tax-exempt interest or result in the reduction or withdrawal of the assigned ratings on the Outstanding Certificates.

CERTIFICATE INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2007 Certificates, effective as of the date of issuance of the 2007 Certificates. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the 2007 Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2007 Certificates and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2007 Certificates become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2007 Certificates, Ambac Assurance will remain obligated to pay the principal of and interest on outstanding 2007 Certificates on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2007 Certificates, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a 2007 Certificate that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; and

3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the 2007 Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2007 Certificates to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2007 Certificates, appurtenant coupon, if any, or right to payment of the principal of or interest on such 2007 Certificates and will be fully subrogated to the surrendering holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$10,015,000,000** (unaudited) and statutory capital of approximately **$6,371,000,000** (unaudited) as of **December 31, 2006.** Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in the Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Financial Guaranty Insurance Policy due to non-appropriation of funds by the County.

Ambac Assurance makes no representation regarding the 2007 Certificates or the advisability of investing in the 2007 Certificates and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "CERTIFICATE INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "**Available Information**".

RISK FACTORS

The purchase of the 2007 Certificates involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective 2007 Certificate purchaser should make an independent evaluation of all the information presented herein. Certain of these investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect relative importance of risks. The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the 2007 Certificates.

Limited Obligation. The obligation of the County to pay Lease Payments is not secured by the levy or pledge of any tax or any other funds and does not constitute a debt or indebtedness of the County or the State of Arizona within the meaning of any constitutional or statutory debt limitation or restriction. See "SECURITY FOR THE 2007 CERTIFICATES." The Lease Payments are payable by the County, subject to annual appropriation, from the County's General Fund.

No Pledge of County Funds. No funds or revenues of the County are pledged, obligated or restricted for the payment of the Lease Payments, including, without limitation, the funds and revenues described under "PLAN OF FINANCE - Leased Property" and – "Sources of Lease Payments." In addition, the County has the right to refuse to appropriate funds, and thus terminate the Lease, for any reason including inadequacy of the Leased Property. Were the County to refuse to appropriate funds and thereby terminate the Lease, there is no assurance that the Trustee would have adequate funds under the Trust Agreement to pay interest and principal represented by the Certificates.

Other Obligations of County. The County has existing obligations, including lease-purchase obligations, and has the capacity to enter into other obligations which are payable from amounts in the County's General Fund, which is the same source it will use to make Lease Payments. To the extent that the County's current or future obligations are paid from the General Fund, the funds available to make Lease Payments may be decreased. The Lease imposes no restrictions upon the ability of the County to incur additional obligations.

Termination of Lease. In addition to termination of the Lease upon non-appropriation of funds (see "SECURITY FOR THE 2007 CERTIFICATES--Non-appropriation; Other Termination Events"), several other events may lead to a termination of the Lease.

(1) an Event of Default on the part of the County and an election by the Trustee to terminate the Lease (See "LEASE -- Events of Default" in Appendix C hereto);

(2) the taking of all of the Leased Property under the power of eminent domain, described below; and

(3) violation of certain State statutes pertaining to conflicts of interest, described below.

If an Event of Default under the Lease occurs, the Trustee may (with the consent of the Insurer) terminate the Lease and relet or sell the Leased Property. The Net Proceeds from the re-leasing of the Leased Property, together with other moneys then held by the Trustee under the Trust Agreement are required to be used under the Trust Agreement to pay principal and interest represented by the 2007 Certificates as it becomes due, to the extent of

such moneys. No assurance can be given that the amount of such funds would be sufficient to pay all 2007 Certificates when due.

In the event that the Leased Property has been taken in whole pursuant to such eminent domain proceedings, all Net Proceeds, together with funds, if any, then on hand in funds held by the Trustee will be applied to the extraordinary redemption of the 2007 Certificates and the Lease shall terminate on the date possession is taken from the County. No assurance can be given that the Net Proceeds of eminent domain and other moneys available under the Trust Agreement will be sufficient to redeem all of the Outstanding 2007 Certificates.

As required by the provisions of Arizona Revised Statutes Section 38-511, the County may, within three years after its execution, cancel any contract (including the Financing Documents), without penalty or further obligation, made by the County if any person significantly involved in initiating, negotiating, securing, drafting, or creating the Financings Documents on behalf of the County (a "County Representative") is, at any time while the Financing Documents or any extension thereof are in effect, an employee of any other party to the Financing Documents in any capacity or a consultant to any other party of the Financing Documents with respect to the subject matter thereof. The cancellation shall be effective when written notice from the Board of Supervisors of the County is received by all other parties to the Financing Documents unless the notice specifies a later time. The Trustee has agreed in the Lease not to employ as an employee or an agent, or with respect to the subject matter of the Financing Documents, as a consultant any County Representative within three years from execution of the Financing Documents unless a waiver of Section 38-511 is provided by the County Board of Supervisors.

Special Counsel is not rendering an opinion with respect to the tax-exempt status of payments made to Owners of the 2007-A Certificates from sources other than funds made available by the County as a result of the termination of the Lease for any reason (including termination upon nonappropriation of funds by the County). If the Lease is terminated while 2007-A Certificates are Outstanding, there is no assurance that after such termination, payments made to Owners (from sources other than funds made available by the County) with respect to interest will be excludable from gross income of the Owners thereof for federal or Arizona income tax purposes.

In addition, neither Special Counsel nor counsel to the Underwriter is rendering an opinion as to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to the transfer of any 2007 Certificates in the event payments are received from sources other than funds made available by the County as a result of termination of the Lease for any reason. If the Lease is terminated while the 2007 Certificates are Outstanding, there is no assurance that after such termination 2007 Certificates may be transferred by a 2007 Certificate Owner without compliance with the registration provisions of the Securities Act of 1933, as amended, or that an exemption from such registration is available.

Limitations on Remedies. Due to the specialized configuration of the Leased Property after the County completes remodeling of the Existing Facility to meet the County needs, and the limited number of potential users of the Leased Property, no assurance can be given that the proceeds from any re-leasing of the Leased Property will be sufficient to pay in full the 2007 Certificates. The enforcement of any remedies provided in the Lease and Trust Agreement could prove both expensive and time consuming. In addition, the enforceability of the Lease and Trust Agreement is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of the Leased Property upon termination of the Lease or exercise of remedies upon default by the County may result in delays in payment of the Certificates except to the extent payable from payments by the Insurer under its Policy.

Although the Lease and the Trust Agreement provide that the Trustee may take possession of the Leased Property and re-lease the Leased Property if there is a default by the County thereunder or if the County terminates the Lease, and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, no assurance can be given that revenues from the Trustee's reletting or sale of the Leased Property would be sufficient to pay in full all Outstanding Certificates.

Upon the termination of the Lease or if the County defaults in its obligation to make Lease Payments thereunder, the Trustee is required (with the consent of the Insurer) to take action to force the County to surrender

possession of the Leased Property. However, under the terms of the Trust Agreement, the Trustee is not under any obligation to take any other action, if the Trustee determines that to do so exposes the Trustee to a risk of financial liability (including environmental liability) for which it reasonably believes it is not adequately indemnified. Prior to taking other actions under the Trust Agreement, the Trustee may request assurances, such as an additional environmental audit, that it will not incur liability by reason of any other action taken by the Trustee pursuant to the Trust Agreement.

Tax-Exempt Status of Interest. The County anticipates receiving payments from private parties for the use of a portion of the Lease Property. See "PLAN OF FINANCE - Leased Property" above. If such private payments exceed certain permitted amounts, the tax-exempt status of the interest component of the 2007-A Certificates could be lost, unless the County takes certain remedial actions required under federal tax law. The County has covenanted in the Lease not to take any action which would cause the interest component of the 2007-A Certificates to be included in gross income for federal income tax purposes, which includes not receiving such private payments in such amounts as to cause loss of such tax exemption. As described under "TAX MATTERS" below, Special Counsel will assume in giving its tax opinion that the County will comply with such covenant and failure of the County to so comply could cause loss of such tax exemption retroactive to date of original execution and delivery of the 2007-A Certificates.

SOURCES AND USES OF FUNDS

The sources and uses of funds derived from the sale of the 2007 Certificates, as herein described, are as follows (excluding accrued interest):

	2007-A Certificates	2007-B Certificates
Sources of Funds		
Par Amount of 2007 Certificates	$	$
Plus: Net Premium		
Total Sources	$	$
Uses of Funds		
Deposit to Project Fund	$	$
Costs of Issuance (Including Underwriter's Discount, Bond Insurance and Surety Bond Premiums)		
Total Uses	$	$

CERTIFICATE PAYMENT REQUIREMENTS

The Lease requires that Lease Payments be paid on the fifteenth day of the month preceding each Interest Payment Date and in the following amounts. The Trust Agreement provides that such amounts be deposited in the Lease Payment Fund and applied, on a semiannual basis, to pay amounts due with respect to the 2007 Certificates.

	Lease Payments on 2007 Certificates		Total
Certificate Payment Date	Principal Payment Portion	Interest Payment Portion (a)	Lease Payments on Certificates
1/01/2008		$969,267	$969,267
7/01/2008	$1,280,000	726,950	2,006,950
1/01/2009		692,710	692,710
7/01/2009	1,585,000	692,710	2,277,710
1/01/2010		659,450	659,450
7/01/2010	1,655,000	659,450	2,314,450
1/01/2011		626,350	626,350
7/01/2011	1,720,000	626,350	2,346,350
1/01/2012		591,950	591,950
7/01/2012	1,790,000	591,950	2,381,950
1/01/2013		556,150	556,150
7/01/2013	1,860,000	556,150	2,416,150
1/01/2014		518,950	518,950
7/01/2014	1,935,000	518,950	2,453,950
1/01/2015		480,250	480,250
7/01/2015	2,010,000	480,250	2,490,250
1/01/2016		430,000	430,000
7/01/2016	2,110,000	430,000	2,540,000
1/01/2017		377,250	377,250
7/01/2017	2,220,000	377,250	2,597,250
1/01/2018		321,750	321,750
7/01/2018	2,330,000	321,750	2,651,750
1/01/2019		263,500	263,500
7/01/2019	2,445,000	263,500	2,708,500
1/01/2020		202,375	202,375
7/01/2020	2,570,000	202,375	2,772,375
1/01/2021		138,125	138,125
7/01/2021	2,695,000	138,125	2,833,125
1/01/2022		70,750	70,750
7/01/2022	2,830,000	70,750	2,900,750

(a) Interest is assumed at a rate of 4.50% per annum.

LITIGATION

There is no litigation or administrative action pending or, to the knowledge of the County, threatened to restrain or enjoin the issuance or delivery of the 2007 Certificates, the Trust Agreement, or the Lease, or in any way contesting or affecting any authority for the execution and delivery of the 2007 Certificates, or the validity of the 2007 Certificates, the proceeds from the execution and delivery thereof or any agreements entered into in connection therewith, or in any way contesting the existence or powers of the County with regard to the 2007 Certificates, the Trust Agreement, or the Lease or any agreement, document, duty or covenant pertaining thereto.

LEGAL MATTERS

The 2007 Certificates are sold with the understanding that the County will furnish the Underwriter with the approving opinion of Squire, Sanders, & Dempsey L.L.P., Special Counsel. A form of such opinion is included in Appendix D hereto. Said attorneys have been retained by the County as Special Counsel and in such capacity are to render their opinion only upon the legality of the 2007 Certificates under Arizona law and on the exclusion of the interest portion related to the 2007-A Certificates from gross income for purposes of calculating federal income taxes and of the exemption of that interest portion from State of Arizona income taxes (see "TAX MATTERS" herein). Fees of Special Counsel will be paid from 2007 Certificate proceeds.

Certain legal matters will be passed upon solely for the benefit of the Underwriter by Greenberg Traurig, LLP.

TAX MATTERS

General

2007-A Certificates. In the opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel, under existing law (i) the portion of each Lease Payment made by the County pursuant to the Lease and denominated as and comprised of interest pursuant to Lease and received by the Owners of the 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the 2007-A Interest Portion is exempt from Arizona state income tax. Under certain circumstances, interest paid for periods following termination of the Lease by nonappropriation may not be excludable from gross income for federal income tax purposes. Special Counsel expresses no opinion on the federal income tax or Arizona state income tax treatment of amounts paid to Owners in the event of termination of the Lease by nonappropriation or as to any other tax consequences regarding the 2007-A Certificates. See also "SECURITY FOR THE CERTIFICATES –Termination of Lease Upon Nonappropriation and Non-allocation of Funds".

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2007-A Interest Portion is and will remain excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Special Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Special Counsel's legal judgment as to exclusion of the 2007-A Interest Portion from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Special Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these

requirements by the County may cause loss of such status and result in the 2007-A Interest Portion being included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2007-A Certificates. The County has covenanted to take the actions required of it for the 2007-A Interest Portion to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Notwithstanding the previous sentence, in the event of termination of the Lease nonappropriation, use of the Leased Property in a manner that would cause the Lease, if such Leased Property had originally been used in such manner, to constitute a "private activity bond" under Section 141 of the Code may prompt the IRS to take the position that the 2007-A Interest Portion is not excluded from gross income for federal income tax purposes, retroactive to the date of execution and delivery of the 2007-A Certificates. After the date of execution and delivery of the 2007-A Certificates, Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of the 2007-A Interest Portion or the market prices of the 2007-A Certificates.

A portion of the 2007-A Interest Portion earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, the 2007-A Interest Portion may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Payments of interest on tax-exempt obligations, including the 2007-A Interest Portion, are generally subject to IRS Form 1099-INT information reporting requirements. If the owner of a 2007-A Certificate is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the excludability of such interest from gross income for federal income tax purposes. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2007-A Certificates. Special Counsel will express no opinion regarding those consequences.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. There can be no assurance that legislation enacted or proposed, or clarification of the Code, after the date of execution and delivery of the 2007-A Certificates, will not have an adverse effect on the tax status of the 2007-A Interest Portion or the market prices of the 2007-A Certificates.

Prospective purchasers of the 2007-A Certificates should consult their own tax advisers regarding pending or proposed federal tax legislation, and prospective purchasers of the 2007-A Certificates at other than their original issuance at the respective prices indicated on the inside front cover and succeeding page of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Special Counsel expresses no opinion.

Special Counsel's engagement with respect to the 2007-A Certificates ends with the execution and delivery of the 2007-A Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the beneficial owners regarding the tax status of the 2007-A Interest Portion in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2007-A Certificates, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the 2007-A Certificates will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2007-A Certificates for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the 2007-A Certificates.

Taxable 2007-B Certificates. NO ATTEMPT HAS BEEN OR WILL BE MADE TO PROVIDE THAT THE PORTION OF EACH LEASE PAYMENT MADE BY THE COUNTY PURSUANT TO THE LEASE AND DENOMINATED AS AND COMPRISED OF INTEREST PURSUANT TO LEASE AND RECEIVED BY THE OWNERS OF THE TAXABLE 2007-B CERTIFICATES IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. NO OPINION IS RENDERED WITH RESPECT TO THE FEDERAL

TAX CONSEQUENCES OF OWNERSHIP OF THE TAXABLE 2007-B CERTIFICATES AND EACH PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR TO DETERMINE THE FEDERAL TAX CONSEQUENCES OF OWNING THE TAXABLE 2007-B CERTIFICATES.

Original Issue Discount and Original Issue Premium

Certain of the 2007-A Certificates ("Discount 2007-A Certificates") as indicated on the inside front cover and succeeding page of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount 2007-A Certificates. The issue price of a Discount 2007-A Certificate 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 Discount 2007-A Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount 2007-A Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount 2007-A Certificate (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest represented by the 2007-A Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount 2007-A Certificate. A purchaser of a Discount 2007-A Certificate in the initial public offering at the price for that Discount 2007-A Certificate stated on the inside front cover and succeeding page of this Official Statement who holds that Discount 2007-A Certificate to maturity will realize no gain or loss upon the retirement of that Discount 2007-A Certificate.

Certain of the 2007-A Certificates ("Premium 2007-A Certificates") as indicated on the inside front cover and succeeding page of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium 2007-A Certificate, based on the yield to maturity of that Premium 2007-A Certificate (or, in the case of a Premium 2007-A Certificate callable prior to its stated maturity, 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 Premium 2007-A Certificate), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium 2007-A Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium 2007-A Certificate, the owner's tax basis in the Premium 2007-A Certificate is reduced by the amount of bond 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 Premium 2007-A Certificate for an amount equal to or less than the amount paid by the owner for that Premium 2007-A Certificate. A purchaser of a Premium 2007-A Certificate in the initial public offering at the price for that Premium 2007-A Certificate stated on the inside front cover and succeeding page of this Official Statement who holds that Premium 2007-A Certificate to maturity (or, in the case of a callable Premium 2007-A Certificate, to its earlier call date that results in the lowest yield on that Premium 2007-A Certificate) will realize no gain or loss upon the retirement of that Premium 2007-A Certificate.

Owners of Discount 2007-A Certificates and Premium 2007-A Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount 2007-A Certificates or Premium 2007-A Certificates and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Group ("S&P") will assign the 2007 Certificates the ratings of "Aaa" and "AAA", respectively, with the understanding that upon delivery of the 2007 Certificates a policy insuring the payment when due of the principal of and interest on the 2007 Certificates will be issued by Ambac Assurance. The 2007 Certificates have also been assigned uninsured ratings of "A1 and "A+" by Moody's and S&P, respectively. Such ratings reflect only the respective views of each organization and any desired explanation of the significance of such ratings should be obtained from Moody's at 99 Church Street, New York, New York 10007 or from S&P at 55 Water Street, New York, New York, 10041. The ratings are not

recommendation to buy, sell or hold the 2007 Certificates and there is no assurance that the ratings will continue for any given period of time. The respective ratings may be revised downward or withdrawn entirely by Moody's and S&P if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2007 Certificates.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the 2007 Certificates to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2008 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notice of Material Events"). The Annual Report will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. (At present no such state information depository has been designated.) The Notices of Material Events will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. The specific nature of the information to be contained in the Annual Report and the Notices of Material Events is set forth in "Appendix E – Continuing Disclosure Undertaking."

These covenants have been made in order to assist the underwriters of the 2007 Certificates in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Pursuant to Arizona law, the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and mailing the Annual Report and the Notices of Material Events to each Nationally Recognized Municipal Securities Information Repository and to any state information depository established by the State. A failure by the County 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 2007 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2007 Certificates and their market price.

The County failed to file certain schedules as part of its continuing disclosure requirements related to its 1998 Sewer Revenue Bonds by February 1, 2002. The disclosures were filed, however, with all Nationally Recognized Municipal Securities Information Repositories by July 1, 2002. The County has otherwise complied with all existing continuing disclosure undertakings relating to the County in all material respects.

UNDERWRITING

The 2007 Certificates will be purchased by the Underwriter, at an aggregate purchase price of $_____ ("Purchase Price") plus accrued interest with respect to the 2007 Certificates to the closing date, pursuant to a certificate purchase contract (the "Certificate Purchase Agreement") entered into by the County, the Trustee and the Underwriter. If the 2007 Certificates are sold to produce the yields shown on the inside front cover, the Underwriter's compensation will be $_____. The Certificate Purchase Agreement provides that the Underwriter will purchase all of the 2007 Certificates so offered if any are purchased. The Underwriter may offer and sell the 2007 Certificates to certain dealers (including dealers depositing 2007 Certificates into unit investment trusts) and others at yields lower than the public offering prices 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.

FINANCIAL STATEMENTS

The financial statements of the County as of June 30, 2006 and for its fiscal year then ended, which are included as Appendix F of this Official Statement, have been audited by the Auditor General of the State of Arizona, as stated in their opinion which appears in Appendix F. The County neither requested nor obtained the consent of the Auditor General to include their report and the Auditor General has performed no procedures subsequent to rendering their opinion on the financial statements. The audited financial statements in Appendix F do not cover the most recent fiscal year and, therefore, may not represent the current financial condition of the County.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement may be obtained from Pima County, Director of Finance and Risk Management, 130 W. Congress, Tucson, Arizona 85701.

CONCLUDING STATEMENT

To the extent that any statement made in this Official Statement involves 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. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has been identified by source and has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing are to be construed as part of a contract with the Underwriter or subsequent owners of the 2007 Certificates.

The County has approved and authorized the distribution and use of this Official Statement.

By_____
Chairman, Board of Supervisors

By _____
County Administrator

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APPENDIX A

PIMA COUNTY, ARIZONA
General Economic And Demographic Information

General Information

Pima County, Arizona (the "County") is located in the southern portion of the State of Arizona ("Arizona" or the "State"), with a section of its southern boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,184 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties, the County is today the second most populous county in Arizona with an estimated 2006 population of 981,280 Approximately 55% of the County's population resides in the City of Tucson, Arizona ("Tucson"), the County seat of government and southern Arizona's largest city.

TABLE 1
Population Statistics For Pima County, the City of Tucson and the State of Arizona

	Pima County	City of Tucson	State of Arizona
2006 Estimate*	981,280	534,685	6,305,210
2000 Census	843,746	486,699	5,130,632
1990 Census	666,880	405,390	3,665,228
1980 Census	531,443	330,537	2,716,546
1970 Census	351,667	262,933	1,775,399
1960 Census	265,660	212,892	1,302,161

*Population estimate as of July 1, 2006. Approved by Department of Economic Security Director, March 2, 2007.

Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics.

Organization

The County is governed by a five-member Board, each of whom is elected for a four-year term to represent one of the designated districts within the County. The chair is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints among others, a County Administrator and a Finance and Risk Management Director. The County Administrator is responsible for the general administration and overall operations of the various departments of the County.

Mr. Charles H. Huckelberry was appointed County Administrator in December 1993. From 1987 to 1993, Mr. Huckelberry served as an Assistant County Manager with responsibility for the administration of public works. He served as the Director of Pima County's Department of Transportation and the Flood Control District from 1979 to 1987; as Deputy Director of the Department from 1976 to 1979; and as the Department's Manager of Field Engineering from 1974 to 1976. He was self employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from the University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Finance and Risk Management Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to this move, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a

Deputy County Attorney representing various Pima County departments primarily including the County Assessor, the County Treasurer and Public Works departments. From 1989 to 1998 Mr. Burke served as the Manager of Pima County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with Pima County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Transportation

Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is traversed by Interstates 10 and 19, as well as State Highways 77, 83, 85 and 86. Interstate 10 passes through Tucson and connects Tucson with the City of Phoenix, Arizona, to the north and Los Angeles, California, to the west and New Mexico and Texas to the east. Interstate 19 provides access to the City of Nogales, Arizona and Mexico to the south, while U.S. Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of the Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has an 11,000-ft. lighted, paved primary runway, a 9,100-ft. paved secondary runway and a 7,000-ft paved runway, all of which can accommodate all major types of carriers. The County is also served by Greyhound bus lines and Amtrak.

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment; these three industries represented nearly 84.6% of total employment in 2006. Figures from the Arizona Department of Economic Security indicate that 379,900 persons were employed, on average (not including the agricultural industry), in the County in 2006. The following table presents the County's average annual total employment by industry for the years indicated:

TABLE 2

Pima County
Average Annual Employment
Number of Persons Employed 2001-2006

Industry	2001	2002	2003	2004	2005	2006
Goods Producing						
Natural Resources and Mining	1,800	1,500	1,200	1,200	1,400	1,600
Construction	22,700	22,500	22,900	23,700	25,700	28,100
Manufacturing	33,000	30,500	28,700	28,300	28,200	28,800
Service Producing						
Trade, Transportation and Utilities	55,300	54,400	54,400	54,600	58,500	61,800
Information	7,700	7,900	7,600	7,700	7,200	7,000
Financial Activities	14,400	14,400	15,100	15,900	16,400	17,300
Professional and Business Services	41,300	41,500	41,300	41,800	45,800	49,100
Education and Health Services	41,800	43,600	45,600	47,700	50,300	52,800
Leisure and Hospitality	38,200	37,300	36,500	37,700	40,200	40,700
Other Services	14,300	14,500	14,500	14,800	14,700	15,900
Government	76,800	77,900	78,200	78,100	77,400	76,800
Total Wage & Salary Employment	347,300	346,000	346,000	351,500	365,800	379,900

Source: Arizona Department of Economic Security.

The average unemployment rate for the County in 2006 was 4.0%. The average annual unemployment rate for 2005 and 2004 was 4.6% and 4.6%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

Pima County
Comparative Employment Statistics

	Pima County		Unemployment Rate		
Calendar Year	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2006	431,000	18,100	4.0%	4.1%	4.6%
2005	415,500	20,000	4.6%	4.7%	5.1%
2004	416,800	20,200	4.6%	5.0%	5.5%
2003	403,200	22,500	5.3%	5.7%	6.0%
2002	397,600	23,700	5.6%	6.1%	5.8%
2001	395,500	17,900	4.3%	4.7%	4.7%

Source: Arizona Department of Economic Security

TABLE 4

Pima County
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,184
University of Arizona	Education	10,354
State of Arizona	Government	9,927
Davis-Monthan Airforce Base	Military	8,233
Tucson Unified School District	Education	7,419
Pima County	Government	7,290
City of Tucson	Government	5,848
Wal-Mart Stores Inc.	Retail	5,625
Phelps Dodge Mining Company	Mining	4,900
Carondelet Health Network	Health Care	4,319
Tohono O'Odham Nation	Tribal Government	3,825
TMC Health Care	Health Care	3,474
University Medical Center Corp.	Health Care	3,094
U.S. Border Patrol	Government	2,763
Sunnyside Unified School District	Education	2,690
Pima Community College	Education	2,211
Amphitheater Public Schools	Education	2,187
Pascua Yaqui Tribe	Tribal Government	2,184
CheckMate Professional Employer	Service	2,131
Citi	Service	2,000

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

Services

From 2001 to 2006, the service-providing industry in the County (excluding Government employees) expanded by 31,600 jobs or 14.84%. The average annual employment in the service-providing industry in 2006 was 244,600. It is anticipated that as the County continues to grow in population and economic activity, the service-providing industry will continue to be a significant contributor. As detailed above, Health Care and Education were a dominating force in the service-providing industry.

Government

Government employment plays an important role in the County with Federal, State and local government employees numbering approximately 76,800 in 2006. The State of Arizona and the Davis-Monthan Air Force Base are significant contributors to government employment in the County (see "Pima County - Major Employers" listed in the above table). The Davis-Monthan Air Force Base is a major training ground for active duty members on the A-10 "Warthog" aircraft. The facility is also responsible for the education of tactical missile crews. Its storage capacity of 2,500 aircraft is the largest in the world. In the past, Davis-Monthan Air Force Base has been included reportedly on lists of installations considered for closure or realignment by the Defense Base Closure and Realignment Commission. There can be no assurances that Davis-Monthan Air Force Base will not be included on similar lists in the future. Any such closure or realignment would most likely be subject to review and approval by, among others, the Department of Defense and the President of the United States and would have a negative but unquantifiable effect on the County.

Manufacturing

The manufacturing sector continues to be dominated by the high technology industries of aerospace and electronics. Raytheon Missile Systems, the largest manufacturing company in the County, is a major supplier of advanced munitions. Civilian aviation products and services are provided by Bombardier, which has an aircraft maintenance facility in Tucson, and Universal Avionics Systems Corp., which builds and installs advanced instrumentation, communication and navigation systems for civil aircraft. Texas Instruments and International Business Machines manufacture electronic circuitry and data storage devices. Ventana Medical Systems provides computerized medical laboratory equipment.

Average annual employment in the manufacturing sector within the County in 2006 was 28,800, representing 7.6% of the County's total wage and salary employment base. Manufacturing employment during 2005 and 2005 averaged 28,200 and 28,300, respectively.

The following table presents the major manufacturers in the County and Tucson metropolitan area:

TABLE 5

Metropolitan Pima County
Major Manufacturers

Company	Type of Business	Approximate 2006 Employment
Raytheon Missile Systems	Missile Manufacturing	11,184
International Business Machines Corp.	Computer Systems	1,750
Honeywell Aerospace	Aircraft Electronic Systems	750
Texas Instruments	Semiconductor Products	625
Bombardier Aerospace	Aircraft Maintenance	614
Northrop Grumman Corp.	Missile Manufacturing	582
Ventana Medical Systems Inc.	Computer Systems	580
Beacon Group SW Inc.	Contract Labor Work	434
Kalil Bottling Co.	Soft Drinks	354
Hart & Cooley	Air Registers	220

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

The County's proximity to Mexico makes twin plant "maquiladora" operations practical. Components are manufactured in Tucson and transported duty-free to Nogales, Sonora, Mexico, 65 miles south of Tucson, for assembly. Among the companies operating "twin plants" in Tucson and Nogales are General Electric, Samsonite, Motorola, Acco, Moen Faucets and Masterlock. These manufacturers contribute to the County's economy in many ways including the support of numerous suppliers and peripheral industries. The proximity of the Mexican border is more significant to manufacturing concerns given the existence of the North American Free Trade Agreement between Canada, the United States and Mexico. However, the uncertainty of the Mexican economy may negatively impact the growth of the previously described manufacturing concerns.

The County has encouraged the location of industry within the community by the development of 33 industrial parks and funding, in conjunction with Tucson, the Tucson Regional Economic Opportunities Inc., a private, non-profit corporation.

Tourism

Tourism is an important economic mainstay in the County and the Tucson area. The County's climate, historical and cultural sites, location and proximity to vacation areas in California, Mexico, and other Southwest destinations attract vacationers, conventioneers and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimates that over 700 convention bookings with 199,738 convention delegates visited the Tucson area in fiscal year 2005-06. In the Tucson area, there are 232 hotels and resorts with over 15,165 rooms. Points of interest, recreational sites and sight-seeing attractions include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Pima Air and Space Museum, Titan Missile Museum, Saguaro National Monument, Mission San Xavier del Bac, Mount Lemmon, Sabino Canyon, Biosphere 2, and numerous resorts and golf courses. In addition, the Tucson metropolitan area is the home of spring training for Major League Baseball's Arizona Diamondbacks, Chicago White Sox and Colorado Rockies.

According to the Arizona Hospitality Research & Resource Center, over $1.5 billion was spent in the County in 2006. These figures include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies between 2002 and 2006.

Total Tourist Expenditures
($ in millions)

Year	Pima County	State of Arizona
2006	$1,532	$10,441
2005	1,435	9,680
2004	1,283	8,515
2003	1,190	7,808
2002	1,163	7,441

Source: Arizona Hospitality Research & Resources Center.

Education

The University of Arizona (the "University") provides approximately 14,363 jobs to the area and is an important link to the economic growth of the County. Its presence as a research university has assisted in attracting new business enterprises. The academic organization of the University is comprised of ten undergraduate colleges, five graduate colleges and a number of interdisciplinary programs. Enrollment figures for the fall semester of 2006 were estimated at 36,805 undergraduate and graduate full-time students. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Pima County Community College offers two-year programs in vocational and technical education. Total student enrollment for Pima County Community College for 2004-05 was estimated at 75,408 students.

Source: University of Arizona and Pima County Community College.

Wholesale and Retail Trade

Wholesale and retail trade includes restaurants, hotels, taverns, service stations, automobile repair shops, shopping malls and wholesale dealers. The largest individual employers in the retail sector (companies with more than 1,000 employees) are Wal-Mart Stores, Bashas' Inc., Safeway Stores Inc., Fry's Food and Drug Stores, Walgreen Co., Home Depot, Albertsons-Osco and Crosstown Traders.

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within Pima County generally levy a 2% to 2.5% sales tax. Beginning July 1, 2006, the Regional Transportation Authority began levying a 0.5% sales tax.

The following table sets forth retail sales figures in the County for the past five full years.

TABLE 6

Pima County Retail Sales (a)

Year	Amount	% Change
2006	$7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%
2003	6,216,097,166	3.39%
2002	6,012,022,946	1.13%
2001	5,944,792,196	2.20%

(a) Excludes Food Sales and Gas Tax.

Source: Arizona Department of Revenue.

Financial Institutions

The following table illustrates the total dollars on deposit with all FDIC-Insured banking institutions in the County as of June 30 of each year.

TABLE 7

Pima County
Bank Deposits

Year	Amount
2006	$11,151,000,000
2005	10,250,000,000
2004	8,941,000,000
2003	8,091,000,000
2002	7,391,000,000

Source: FDIC (Federal Deposit Insurance Corporation).

Mining

According to the Arizona Mining Association, Arizona leads the nation in copper production, accounting for 65% of the total U.S. mine production. However, the cyclical nature of this industry has caused some consolidation of its resources to improve production. In the early 1980's, the Arizona copper industry's direct economic impact on the Arizona economy regularly exceeded $1.0 billion, peaking in 1981 at approximately $1.612 billion when the industry employed roughly 25,000 persons. This level of impact dropped to $0.875 billion in 1986, but increased to $1.49 billion in 1999. The direct economic impact of the industry statewide was approximately $1.605 billion, $1.296 billion, and $1.087 billion in 2005, 2004, and 2003, respectively. The direct impact of the copper industry within the County was nearly $580 million in 2005, $421million in 2004 and $370 million in 2003. Employment in the mining industry within the County was approximately 1,400 in 2005, 1,200 in 2004 and 1,200 in 2003.

Agriculture

Agriculture plays a less significant role in the economy of the County as a whole, but a small portion of the County relies on agriculture as its leading economic source. Principal crops harvested are cotton, wheat and hay, as well as vegetables. The following table sets forth the total cash receipts for all crops and livestock products in the County for the most recent five years for which reports are available.

TABLE 8

Cash Receipts From Agricultural Marketing
(Total Crops and Livestock)
Pima County

Year	Receipts
2005	$84,452,000
2004	80,103,000
2003	68,694,000
2002	51,983,000
2001	48,013,000

Source: *Arizona Agricultural Statistics Bulletin,* September 2006.

Building Permits

The following tables were compiled from *Arizona Construction Report*, a publication of Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University. The Center obtains its data from county and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost of a project, not on market price or the value of construction at the time the permit is issued. The date at which the permit is issued should not be construed as the date of construction.

TABLE 9

Pima County
Value of Building Permits

Year	Residential	Commercial	Industrial	Other	Total
2006	$1,562,755,000	$199,629,000	$16,736,000	$129,928,000	$1,909,048,000
2005	2,180,381,000	315,946,000	8,546,000	150,686,000	2,655,559,000
2004	1,680,800,000	284,275,000	16,206,000	117,220,000	2,098,501,000
2003	1,386,884,000	312,257,000	8,717,000	82,909,000	1,790,767,000
2002	1,089,239,000	277,762,000	10,766,000	131,771,000	1,509,538,000
2001	989,210,000	234,454,000	23,526,000	98,008,000	1,345,198,000

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

TABLE 10

Pima County
New Housing Starts

Year	Total Housing Units Permitted
2006	9,082
2005	12,272
2004	11,452
2003	9,635
2002	8,915
2001	8,735

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

Counties are required to adopt a Comprehensive Plan and cities and towns a General Plan under Arizona laws adopted in 1998 and 2000. All subsequent rezoning activity must conform to the plan. Most cities and towns and each of the larger counties, including Pima, are required to plan for growth areas and identify the means to provide necessary public services in the future. In addition to environmental and infrastructure elements, an analysis of available water is also required. Pima County's Comprehensive Plan was updated and adopted in 2001. State law requires that every 10 years the plan be redone or updated and approved by the voters. Also, as a result of these laws, counties have broader authority to adopt development impact fees and review lot splitting. Pima County has been implementing the policies of the Comprehensive Plan since its adoption.

APPENDIX B

PIMA COUNTY, ARIZONA
Financial Information

Introduction

The fiscal year for the County is from July 1 through June 30. The County's budget process is an ongoing function. Each fiscal year's process starts with the issuance in December of guidelines to all departments within which budgets must be developed. Department budget requests are submitted in February. A review process then takes place culminating with the County Administrator's submission of a proposed budget to the Board in time for budget hearings in mid-June. State statutes require that a tentative budget be adopted by the Board no later than the third Monday in July. At the time the final budget is adopted, which can be no later than the first Monday in August of each year, the Board of Supervisors holds a public hearing and meeting to determine the tax levy needed to support the budget. Taxes are then assessed and levied no later than the third Monday in August.

Expenditure Limitation

Beginning in fiscal year 1981-82, the County became subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County's annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitution provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation.

The County's expenditure limitation for the 2005-06 fiscal year was $411,190,872. The County's expenditures for the 2005-06 fiscal year were under the limit. The County's 2006-07 fiscal year expenditure limitation is $438,128,547.

Ad Valorem Taxes

General

Arizona (the "State" or "Arizona") property taxes are divided into two systems, primary and secondary. Secondary property taxes are those taxes imposed for payment of bonded indebtedness, for exceeding a budget, expenditure or tax limitation pursuant to voter approval and for operating and maintaining certain special districts. Primary property taxes are all ad valorem taxes other than secondary property taxes.

Under the primary system, the full cash value of locally-assessed real property (consisting primarily of residential, commercial, industrial, agricultural and unimproved property) cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property only are limited to 1% of the limited full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation except that for tax year 2006 the increase was limited to 2%over the 2005 actual primary property tax levy with the same add-ons. The 2% limitation does not apply to primary taxes levied for local school districts. The County does not currently levy its primary tax levy to the maximum allowed under the law. Under a proposition approved by the voters in November 2006, the tax levy limit was readjusted to actual levy amounts for 2005 as the new base year.

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on bonds, school district voter-approved budget overrides and special district taxes and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. See "Debt

Limitation" herein. Under the secondary system, there is no limitation on annual increases in full cash value of any property. In addition, annual tax levies for voter-approved bonded indebtedness, overrides and special district taxes are, except as they are described herein under the subheading "The Bonds – Security and Sources of Payment", unlimited.

Arizona law provides for a property valuation "freeze" for certain residential property owners sixty-five years of age and older. Owners of residential property may obtain such freeze against valuation increases (the "Property Valuation Projection Option") if the owner's total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations.

Tax Procedures

The tax year in Arizona is defined as the calendar year, although tax procedures begin prior to January 1 of each tax year and continue through May of the succeeding calendar year. The first step in the tax process, for taxing entities other than certain special districts, is the determination of the full cash value of each individually-owned parcel of land within the State. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuation of centrally assessed properties such as gas, water and electrical utilities, railroads, mines and pipelines. The appropriate property classification assessment ratio is then applied to the full cash value to determine the assessed valuation for such parcel. The assessment ratios utilized over the five-year period 2002-03 through 2006-07 for each class of property are set forth below.

Property Tax Assessment Ratios
2002-03 through 2006-07

Classification (a)	2002-03	2003-04	2004-05	2005-06	2006-07
Mining , Utility, Commercial and Industrial (b)(c)	25%	25%	25%	25%	24.5%
Agriculture and Vacant Land (c)	16%	16%	16%	16%	16%
Owner Occupied Residential	10%	10%	10%	10%	10%
Leased or Rented Residential	10%	10%	10%	10%	10%
Railroad, Private Car Company And Airline Flight Property (d)	21%	20%	21%	21%	22%

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.
(b) The assessment ratio for Mining, Utility, Commercial and Industrial property will decrease ½% per year, starting from 25% in 2005-06 to 20% in and after 2015-16.
(c) The first $59,099 of full cash value of commercial, industrial and agricultural personal property is exempt from taxation for fiscal year 2006-07. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 24.5% or 16%, as applicable.
(d) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties and agricultural personal property to (ii) the total full cash (market) value of such properties.

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or future legislative sessions. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County.

Delinquent Tax Procedures

The property taxes due to the County are billed, along with State and other taxes, ordinarily in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month unless the full year's taxes are paid by December 31. After the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the tax lien is reoffered for sale from time to time until such time as the taxes, penalties and interest put on the lien is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can be attached against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a taxpayer within the County. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

Property Valuations

The following table lists the various property valuations for the County for the current year.

Valuations for Fiscal Year 2006-07

Estimated Actual Valuation*	$59,890,228,997
Net Secondary Assessed Valuation	$ 6,869,955,457
Net Primary Assessed Valuation	$ 6,467,201,516

* Actual full cash value net of estimated value of property exempt from taxation.

Source: Pima County Assessor's *Abstract of the 2006 Tax Roll for Pima County.*

Net Secondary Assessed Valuation Comparisons and Trends

The information set forth below is shown to indicate the ratio between assessed values and estimated actual values for the County, as well as changes in the secondary assessed valuations of the County and overlapping municipal units on a comparative basis. The basis of property assessment for these years is shown under "Ad Valorem Taxes - Tax Procedures".

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation*	Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation
2006-07	$6,869,955,457	$59,890,228,997	11.47%
2005-06	6,050,950,040	47,971,147,096	12.61%
2004-05	5,620,156,274	43,778,402,824	12.84%
2003-04	5,221,270,997	43,733,555,507	11.94%
2002-03	4,835,561,219	36,999,609,652	13.07%

* Actual full cash value net of estimated value of property exempt from taxation.

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance and Risk Management Department and Pima County Assessor's *Abstract of the 2006 Tax Roll for Pima County.*

Net Secondary Assessed Valuation Comparisons

Fiscal Year	City of Tucson	Percent Change	Pima County	Percent Change	State of Arizona	Percent Change
2006-07	$3,016,230,759	10.77%	$6,869,955,457	13.54%	$54,436,547,031	11.25%
2005-06	2,722,915,853	6.44%	6,050,950,040	7.67%	48,931,946,145	10.05%
2004-05	2,558,231,181	5.40%	5,620,156,274	7.64%	44,461,738,026	8.87%
2003-04	2,427,120,926	6.98%	5,221,270,997	7.98%	40,839,898,348	10.96%
2002-03	2,268,733,334	6.09%	4,835,561,219	7.66%	36,805,206,912	6.76%

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance and Risk Management Department and Pima County Assessor's *Abstract of the 2006 Tax Roll for Pima County.*

Net Secondary Assessed Valuations of Major Taxpayers

Shown below are the major property taxpayers located within the County, an estimate of their current assessed value and their relative proportion of the County's net secondary assessed value.

Taxpayer (a)	Estimated 2006-07 Net Secondary Assessed Valuation	As Percent of County's 2006-07 Net Secondary Assessed Valuation
Tucson Electric Power Co.	$143,361,816	2.09%
Qwest Corporation	87,092,898	1.27%
Southwest Gas Corporation	62,846,160	0.91%
Phelps Dodge	55,176,116	0.80%
Arizona Portland Cement	22,857,520	0.33%
Raytheon Company	21,665,114	0.32%
Dnd Neffson Co.	19,087,235	0.28%
Starr Pass Resort Developments LLC	17,068,423	0.25%
Scg Tucson Property LLC (Westin Hotel)	15,504,143	0.23%
Trico Electric Co-Op Inc	14,806,148	0.22%
	$459,465,573	6.69%

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. None of the County, the Underwriter, Bond Counsel nor the Underwriter's Counsel have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Source: Pima County Assessor's office.

Record of Real and Secured Personal Property Taxes Levied and Collected

Property taxes are levied and collected on all taxable property within the County and are certified to by the County Treasurer. The following table sets forth the real and secured personal property tax collection of the County for the current and past five fiscal years.

Fiscal Year	Real and Secured Personal Property Tax Levy	Fiscal Year Collections (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2006-07	$330,240,186	(c)	(c)	$195,161,070	59.10%
2005-06	302,126,724	$292,019,235	96.65%	301,083,253	99.65%
2004-05	281,171,502	271,480,760	96.55%	280,627,752	99.81%
2003-04	260,569,500	250,928,829	96.30%	260,434,326	99.95%
2002-03	241,415,870	231,618,482	95.94%	241,371,757	99.98%
2001-02	228,476,979	218,191,563	95.50%	228,401,055	99.97%

(a) Reflects collections made through June 30th, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches

on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.

(b) Reflects collections made through March 31, 2007 against the current and prior levies.

(c) In the process of collection.

Source: Pima County Treasurer's Office

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the County. As such, the rates are the sum of the primary tax rate, which is levied against the primary assessed value within the County, and the secondary tax rate for debt service payments for general obligation bonds of the County, and for maintenance and operation purposes for the County Library District, the County Fire District Assistance Tax and the County Flood Control District, all of which are levied against the County's secondary assessed value (except in the case of the Flood Control District, which is levied against the District's secondary assessed value which excludes the value of personal property).

Fiscal Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2006-07	$3.8420	$1.4986	$5.3406
2005-06	4.0720	1.3891	5.4611
2004-05	4.0720	1.4247	5.4967
2003-04	4.0720	1.4261	5.4981
2002-03	4.0720	1.4278	5.4998

Source: *Property Tax Rates and Assessed Values,* The Arizona Tax Research Foundation and Pima County Finance and Risk Management Department.

Debt Limitation

Pursuant to the Arizona Constitution, outstanding general obligation debt for County purposes may not exceed 15% of a County's net secondary assessed valuation. The following indicates the County's current bonding capacity after the issuance of the Bonds.

Net Secondary Assessed Valuation (FY 2006-07)	**$6,869,955,457**
15% Constitutional Limitation	1,030,493,318
Net Direct General Obligation Bonds Outstanding	326,310,000
Unused 15% Limitation	$704,183,318

General Obligation Bonded Debt Outstanding

The following chart lists the outstanding general obligation bonded debt of the County.

Date of Issue	Original Amount	Original Purpose	Maturity Dates	Average Int. Rates	Remaining Balance Outstanding
05-01-98	42,420,000	Various Improvements	7-1-99/13	4.620%	$18,795,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	16,115,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	26,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	7,610,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	10,000,000
01-15-03	50,000,000	Various Improvements	7-1-03/17	3.900%	40,350,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	53,615,000
05-01-05	65,000,000	Various Improvements	7-1-06/20	3.937%	58,825,000
01-01-07	95,000,000	Various Improvements	7-1-07/21	4.050%	95,000,000
Total General Obligation Bonded Debt Outstanding					$326,310,000

Annual Debt Service Requirements of General Obligation Bonds

The following chart indicates the general obligation debt service requirements of the County.

Fiscal Year June 30	Existing General Obligation Bonded Debt Outstanding		Total Debt Service Requirement
	Principal	Interest	
2007	$36,720,000	$12,028,310	$48,748,310
2008	31,255,000	12,342,680	43,597,680
2009	25,660,000	10,939,280	36,599,280
2010	25,080,000	9,782,230	34,862,230
2011	22,740,000	8,657,200	31,397,200
2012	23,355,000	7,637,850	30,992,850
2013	24,005,000	6,593,800	30,598,800
2014	22,360,000	5,527,200	27,887,200
2015	20,015,000	4,533,675	24,548,675
2016	20,355,000	3,648,806	24,003,806
2017	20,940,000	2,775,300	23,715,300
2018	17,660,000	1,903,100	19,563,100
2019	18,535,000	1,238,088	19,773,088
2020	13,785,000	554,750	14,339,750
2021	3,845,000	115,350	3,960,350

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the County Treasurer's Office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per $100 assessed valuation follows.

Jurisdiction	2006-07 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Portion Applicable to the County		Combined Tax Rate Per $100 Assessed Valuation (e)
			Percent	Net Debt Amount	
State of Arizona	$54,436,547,031	None	100%	None	$0.0000
Pima County	**6,869,955,457**	**$326,310,000**	**100%**	**$ 326,310,000**	**4.9660 (b)**
Pima County Flood Control District (c)	6,113,952,541	2,230,000	100%	2,230,000	0.3746
Elementary School Districts	284,785,948	2,755,000	100%	2,755,000	2.5751 (d)
Unified School Districts	6,573,518,237	586,595,000	100%	586,595,000	6.9627 (d)
Cities and Towns	3,935,967,898	281,134,070	100%	281,134,070	0.9405 (d)
Pima County Community College District	6,869,955,457	61,730,000	100%	61,730,000	1.2515
Total				$1,260,754,07	

Jurisdiction	2006-07 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per $100 Assessed Valuation (e)
State of Arizona	$54,436,547,031	None	None
Pima County	6,869,955,457	$326,310,000	$4.9660
Pima County Flood Control District (c)	6,113,952,541	2,230,000	0.3746
Pima County Community College District	6,869,955,457	61,730,000	1.2515
Elementary School Districts:			
San Fernando ESD #35	831,896	None	3.7481
Empire ESD #37	5,489,030	None	8.4864
Continental ESD #39	249,037,971	2,755,000	2.0682
Redington ESD #44	1,339,389	None	4.8853
Altar Valley ESD #51	28,087,662	None	5.7696
Unified School Districts:			
Tucson USD #1	2,951,009,121	309,160,000	7.3857
Marana USD #6	593,166,842	67,125,000	5.9117
Flowing Wells USD #8	184,631,194	10,730,000	6.8677
Amphitheater USD #10	1,253,084,786	62,380,000	6.1193
Sunnyside USD #12	368,702,550	41,770,000	9.1529
Tanque Verde USD #13	169,903,216	4,335,000	5.4806
Ajo USD #15	15,767,445	None	4.4929
Catalina Foothills USD #16	528,078,948	38,485,000	6.7428
Vail USD #20	324,977,649	27,635,000	6.7032
Sahuarita USD #30	183,013,895	24,975,000	7.7345
Indian Oasis USD #40	1,182,591	None	0.0000
Cities and Towns:			
City of Tucson	3,016,230,759	281,134,070	1.2257
City of South Tucson	20,643,396	None	0.2383
Town of Marana	310,319,014	None	0.0000
Town of Oro Valley	468,769,764	None	0.0000
Town of Sahuarita	120,004,965	None	0.0000

(a) Includes general obligation bonds outstanding. Does not include outstanding principal amount of various cities and towns improvement districts' bonded debt and outstanding principal amount of various County improvement districts' bonded debt, as the indebtedness of these districts is presently being paid from special assessments levied against property owners residing within the various improvement districts. Also does not include various fire districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject

to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State legislation. Federal authorizing legislation was enacted in 2004. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which twelve cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the $0.3675 tax rate of the Free Library District, and the $0.0415 tax rate of the Fire District Assistance Tax.

(c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.

(d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.

(e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.

(f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County.

Jurisdiction	Authorized But Unissued General Obligation Bonds
Pima County	$478,681,000
Tucson Unified School District No. 1	178,000,000
City of Tucson	39,140,000
Catalina Foothills Unified School District No. 16	7,730,000
Indian Oasis Unified School District No. 40	500,000

Additional general obligation bonds may be authorized by these and other jurisdictions within the County at future elections.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The County's direct and overlapping general obligation bonded debt is shown below on a per capita basis and as a percent of the County's net secondary assessed valuation and estimated actual valuation.

		As Percent of County's 2006-07	
	Per Capita Net Debt (Pop. @ (957,635) (a)	**Secondary Assessed Valuation ($6,869,955,457)**	**Est. Actual Valuation ($59,890,228,997)**
Net Direct General Obligation Bonded Debt ($326,310,000)	$ 340.75	4.75%	0.54%
Net Direct and Overlapping General Obligation Bonded Debt ($1,260,754,070)	$1,316.53	18.35%	2.11%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics, July, 2005.

Street and Highway Revenue Bonded Debt Outstanding (a)

The following chart indicates the outstanding street and highway bonds of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
5-01-98	$40,000,000	Street & Highway Improvements	7-1-99/08	$ 8,000,000
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	35,735,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	31,900,000
5-01-05	51,200,000	Street & Highway Improvements	7-1-09/20	51,200,000
1-01-07	21,000,000	Street & Highway Improvements	7-1-09/22	21,000,000
Total Street and Highway Revenue Bonds Outstanding				$ 147,835,000

(a) In 2002, the County received two loans totaling $5.1 million from the Highway Expansion and Extension Loan Program (HELP) of the Arizona Department of Transportation. The loans from the HELP program allowed the County to accelerate by several years the completion of two projects that were scheduled to be funded from Federal aid highway revenues in future years. Final payments on each loan which are currently outstanding in the aggregate principal amount of $903,000 are due in January 2007. HELP loans are payable solely from revenues received by the County from the Arizona Highway User Revenue Fund on a basis junior and subordinate to amounts due on the bonds shown above and all parity bonds. In 2006, the County received another HELP loan totaling $4.8 million. Final payment on this loan which is currently outstanding in the aggregate principal amount of $4.8 million is due in June 2009. These loans are in addition to the debt listed in this table.

Sewer Revenue Debt Outstanding

The following chart includes the outstanding sewer revenue debt of the County.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	$11,313,350	Refunding (a)(b)	7-1-97/12	$9,069,388.26
08-06-97	7,500,000	Sewer Improvements (b)	7-1-00/11	3,670,007.52
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	17,655,000.00
10-27-00	61,180,286	Sewer Improvements (b)(c)	7-1-02-16	49,089,531.99
04-01-01	19,440,000	Refunding	7-1-02/15	14,980,000.00
05-01-04	25,770,000	Refunding	7-1-05/15	22,890,000.00
05-11-04	19,967,331	Sewer Improvements (b)(d)	7-1-05/24	18,538,309.17
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	50,000,000.00
Total Sewer Revenue Bonded Debt Outstanding				$185,892,236.94

(a) Represents funds borrowed under separate Loan Agreements with the Water Infrastructure Finance Authority of Arizona ("WIFA").
(b) Proceeds of this loan were used to refund in advance of maturity $5,025,000 of the Sewer Revenue Bonds, Series 1992, $2,845,000 of the Sewer Revenue Bonds, Series 1993 and $2,650,000 of the Sewer Revenue Bonds, Series 1994B. The debt service requirements on the refunded bonds are secured for payment by U.S. Government Securities, which are held in an irrevocable trust.
(c) On October 27, 2000, the County entered into certain Loan Agreements with WIFA totaling $40,000,000. In December 2001, the County amended those Loan Agreements and added an additional $21,180,286.
(d) On May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling $18,015,219. In September 2005, the County amended those Loan Agreements and added an additional $1,952,112. Amounts outstanding are as of November 21, 2006.

Lease, Lease-Purchase and Purchase Agreements

The County has various lease purchase agreements outstanding. A list of the County departments benefited by these agreements and the scheduled payments on these agreements over the past three fiscal years appears below.

	Fiscal Year		
County Department	**2003-04**	**2004-05**	**2005-06**
Clerk of Superior Court	$ 195,417	$146,562	$31,361
Juvenile Court	73,986		
Public Works Building	1,642,680		
Sheriff	42,274	42,274	42,273
Fiscal Year Total	$1,954,357	$188,836	$73,634

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following chart lists the certificates of participation obligations outstanding for the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
09-01-99	$4,875,000	Refunding	1-1-13/14	$ 4,000,000
10-01-03	27,525,000	Refunding	1-1-05/18	24,335,000
Total Certificates of Participation Obligations Outstanding				$28,335,000
Plus: The 2007 Certificates				$31,035,000
Total Certificates of Participation to be Outstanding				$59,370,000

Retirement Plans

A brief description of the various retirement programs in which County employees participate is located in Footnote 10 in the excerpts from the County's Comprehensive Annual Financial Report in Appendix F.

Other Post Employment Benefits

Beginning with the fiscal year that commences on July 1, 2007, the County must implement GASB 45, *Accounting by Employers for Other Post Employment Benefits (OPEB),* which requires reporting the actuarially accrued cost of post-employment benefits, other than pensions, 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, GASB requires the reporting of such costs as a financial statement liability.

County employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided through the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all County employees that reach normal or early retirement age while working for the County will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium; such plan is available to all participants, whether retired or not, in the State's health care program. The County does not currently make payments for OPEB costs for such retirees.

The County has learned that the State may commission an actuarial valuation of the OPEB costs associated with the health care programs available to retirees through the State in order to meet the requirements of GASB 45. It is presently undetermined by the County what impact, if any, such valuation may have on the County's future financial reporting as required by GASB 45. Or, as the health care programs are administered at the State level, whether there will be any financial reporting impact of GASB 45 at the County level.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual					Budget
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (a)
Revenues by Source:						
Taxes	$244,807	$258,375	$279,527	$300,972	$321,474	$350,440
Special Assessments	598	1,023	505	244	215	291
Licenses and Permits	6,077	6,087	6,566	7,265	7,452	7,739
Intergovernmental	260,218	245,378	273,225	278,414	291,059	295,121
Charges for Services	31,112	35,721	43,505	53,568	63,582	63,526
Fines and Forfeits	4,882	5,047	5,010	5,967	6,014	6,846
Interest Income	6,952	4,152	2,656	5,181	11,379	7,651
Miscellaneous	8,143	10,356	11,918	14,806	13,165	16,124
Total Revenues	$562,789	$566,139	$622,912	$666,417	$714,340	$747,738
Expenditures by Fund:						
General	285,486	308,917	323,591	372,899	402,811	439,535
Special Revenues	153,888	149,633	161,716	160,614	170,696	223,126
Debt Service	48,102	57,563	60,828	56,067	66,829	73,419
Capital Projects	109,670	97,147	103,167	127,632	121,007	155,902
Total Expenditures	$597,146	$613,260	$649,302	$717,212	$761,343	$891,982
Excess of Revenues Over (Under) Expenditures	(34,357)	(47,121)	(26,390)	(50,795)	(47,003)	(144,244)
Proceeds of Long-Term Debt	82,717	85,247	65,148	116,450	4,836	120,000
Proceeds of Refunding Bonds	22,420	0	6,880	0	0	0
Payment to Refunded Bond Escrow Agent	(22,551)	0	(6,846)	0	0	0
Gain on Investment	0	0	0	0	3	0
Operating Transfers In (Out)	(12,905)	(15,140)	(21,333)	3,046	3,685	613
Capital Leases	0	177	0	0	231	0
Sale of General Fixed Assets	590	37	406	27	416	0
Beginning Fund Balance, as restated	110,664	147,803	165,395	182,894	252,007	213,998
Restatement Adjustment/LGIP Loss	1,175	(6,237)	0	0	0	0
Changes in Reserve for Inventory	64	629	(379)	398	(188)	0
Charges in Reserve for Prepaid	(14)	0	13	(13)	11	0
Ending Fund Balance	$147,803	$165,395	$182,894	$252,007	$213,998	$190,367

(a) Obtained from the FY 2006-07 Adopted Budget, except for the beginning fund balance which was based on the actual June 30, 2006 fund balance rather than the estimated fund balance contained in the budget adopted before that date. These amounts are estimated data and are subject to change based on final audited results.

Source: Pima County Finance and Risk Management Department. This table has not been the subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
STATEMENT OF FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual					Budget
	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07 (a)**
General						
Reserved	$ 2,486	$ 2,549	$7,068	$4,056	$5,152	
Unreserved	28,656	30,999	25,628	33,171	46,423	
	31,142	**33,548**	**32,696**	**37,227**	**51,575**	**28,736**
Special Revenue						
Reserved	2,570	3,623	3,399	2,742	5,111	
Unreserved	61,134	42,312	45,325	54,232	64,961	
Designated					1,044	
	63,704	**45,935**	**48,724**	**56,974**	**71,116**	**43,024**
Debt Service						
Reserved	5,964	3,078	4,202	10,004	6,673	
Unreserved				152	162	
	5,964	**3,078**	**4,202**	**10,156**	**6,835**	**5,883**
Capital Projects						
Reserved	8	41	2	0	0	
Unreserved	46,985	82,793	97,270	147,650	84,472	
	46,993	**82,834**	**97,272**	**147,650**	**84,472**	**112,724**
Total Fund Balance	$147,803	$165,395	$182,894	$252,007	$213,998	$190,367

(a) Amount calculated utilizing the revenues and expenditures presented in the FY 2006-07 Adopted Budget plus the actual June 30, 2006 ending fund balance for each fund. Pima County does not budget the ending fund balance at a detailed level; therefore, only the calculated ending fund balance totals are presented. These amounts are estimated data and are subject to change based on final audited results.

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE
(In $000)

	Actual					Budget
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07(a)
Revenues by Source:						
Taxes	$181,840	$194,552	$209,672	$225,959	$242,948	$253,565
Licenses and Permits	2,071	2,010	2,166	2,350	2,536	2,473
Intergovernmental	111,922	112,530	120,058	125,203	143,982	145,517
Charges for Services	19,974	23,750	24,133	24,905	27,102	30,648
Fines and Forfeits	3,898	4,111	4,023	5,035	5,786	5,495
Interest	2,086	1,015	530	1357	2,491	1,623
Miscellaneous	1,995	2,884	2,132	4,435	4,935	3,732
Total Revenues	323,786	340,852	362,174	389,244	429,780	443,053
Expenditures:						
Current						
General Government	101,397	110,813	120,755	160,378	168,394	200,813
Public Safety	86,039	90,375	100,650	84,694	96,687	103,697
Sanitation	0	0	0	0	0	0
Health	2,567	2,762	2,898	2,189	2,401	2,579
Welfare	73,060	84,130	76,619	96,996	102,496	98,146
Culture & Recreation	13,453	12,858	14,448	11,236	13,104	14,338
Education & Econ. Opport.	5,299	4,812	5,578	14,637	16,682	16,942
Debt Service:						
Principal	1,913	1,550	1,610	1,440	1,750	1,785
Interest	1,754	1,613	1,030	1,324	1,292	1,230
Miscellaneous	4	4	3	5	5	5
Total Expenditures	285,486	308,917	323,591	372,899	402,811	439,535
Excess of Revenues Over (Under) Expenditures	38,300	31,935	39,123	16,345	26,969	3,518
Other Financing Sources (uses):						
Proceeds of Long-Term Debt	0	0	0	0	0	0
Sale of General Fixed Assets	0	0	2	8	22	0
Operating Transfers In (Out)	(29,624)	(27,799)	(39,977)	(11,822)	(12,643)	(26,357)
Total Other Financing Sources (Uses):	(29,624)	(27,799)	(39,975)	(11,814)	(12,621)	(26,357)
Excess of Revenues and Other Sources						
Extraordinary item:						
Loss from State Treasurer's Local Government Investment Pool	0	(1,730)	0	0	0	0
Over (Under) Expenditure and Other Uses	8,676	2,406	(852)	4,531	14,348	(22,839)
Beginning Fund Balance, as restated	22,466	31,142	33,548	32,696	37,227	51,575
In (Out)	0	0	0	0	0	0
Ending Fund Balance	$ 31,142	$ 33,548	$ 32,696	$ 37,227	$51,575	$28,736

(a) Obtained from the FY 2006-07 Adopted Budget, except for the beginning fund balance which was based on the actual June 30, 2006 fund balance rather than the estimated fund balance contained in the budget adopted before that date. These amounts are estimated data and are subject to change based on final audited results.

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

As described below under "Trust Agreement - The Certificate Insurer as Owner", Ambac Assurance Corporation, as the Certificate Insurer for the 2007 Certificates, has the right to consent on behalf of the Owners of the 2007 Certificates (with limited exceptions) to amendments to the Financing Documents without notice to or consent of such Owners.

The following are brief summaries of the provisions of the Financing Documents together with certain definitions in the Financing Documents not defined elsewhere in the Official Statement. These summaries are not intended to be definitive. Reference is made to the complete documents for the complete terms thereof. Copies of the documents are available as set forth in the Official Statement under the heading "INTRODUCTORY STATEMENT."

CERTAIN DEFINITIONS

"2007 Certificates" shall mean, collectively, the 2007A Certificates and the 2007B Certificates.

"2007-A Certificates" shall mean the $_____ aggregate principal amount of Certificates of Participation, Series 2007A, to be executed and delivered pursuant to the Trust Agreement

"2007-B Certificates" shall mean the $_____ aggregate principal amount of Certificates of Participation, Taxable Series 2007B, to be executed and delivered pursuant to the Trust Agreement.

"Additional Certificates" shall mean additional certificates issued subsequent to the 2007 Certificates pursuant to the Trust Agreement.

"Additional Rent" shall mean any payments required to be made by the County pursuant to the Lease, in addition to the Lease Payments.

"Aggregate Value" shall mean, with respect to the Certificates, the Outstanding principal amount thereof.

"Business Day" shall mean a day of the year other than (a) a Saturday or Sunday or (b) a day on which banking institutions located in the city designated by the Trustee for the presentation and payment of Certificates are required or authorized to remain closed or (c) a day on which the Certificate Insurer is closed..

"Certificate Insurance Policy" shall mean, as applicable, (a) with respect to the 2007 Certificates, the financial guaranty insurance policy issued by Ambac Assurance Corporation, insuring payment of the principal of and interest with respect to the 2007 Certificates, and (b) with respect to Additional Certificates, the insurance policy issued by the Certificate Insurer therefor, insuring payment of the principal of and interest with respect to such Additional Certificates.

"Certificate Insurer" shall mean, as applicable, (a) with respect to the 2007 Certificates, Ambac Assurance Corporation, and (b) with respect to Additional Certificates, the issuer of the Certificate Insurance Policy therefor.

"Certificates" shall mean the 2007 Certificates, and any other Additional Certificates.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

"Defeasance Obligations" shall mean (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the following clause) and (ii) obligations of, or obligations guaranteed as to principal and interest by, the United Stated of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including (A)

United States Treasury obligations, including State and Local Government Series, and (B) all direct or fully guaranteed obligations of the Farmers Home Administration, General Services Administration, Guaranteed title XI financing, and Government National Mortgage Association (GNMA). Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"Delivery Costs Fund" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Event of Default" shall mean (a) an event of default under the Lease, as defined in Section 9.1 thereof, (b) if the Lease has been terminated because the County fails to obtain proper budgeting and appropriation of the full amount of funds necessary to make all Lease Payments for any fiscal period, as described in the Lease, and the Lease has not been reinstated as provided therein, or (c) the failure of the Trustee to receive from the County an amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due.

"*Fiscal Period*" shall mean a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period which may be established hereafter as the fiscal year of the Lessee for budgeting and appropriation purposes.

"Ground Lease" shall mean the Ground Lease, dated as of May 1, 2007, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto.

"*Improvements*" shall mean the improvements to be acquired, constructed and equipped for the Existing Facility and all related property, improvements, equipment and facilities financed with the proceeds of sale of the 2007 Certificates, as described in the Trust Agreement.

"Insurance and Condemnation Fund" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Interest Payment Date" shall mean each of the dates on which interest is due and payable with respect to the Certificates as provided in the Trust Agreement.

"Lease" shall mean the Lease-Purchase Agreement, dated as of May 1, 1997, by and between the County and the Lessor, together with any duly authorized and executed amendment thereto, including the Second Amendment to Lease-Purchase Agreement.

"Lease Payment" shall mean all payments required to he paid by the County pursuant to the Lease which are applied to the payment of the principal and interest represented by the Certificates.

"Lease Payment Fund" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Leased Property" shall mean, collectively, the Site and the Existing Facility thereon and the Improvements, as described in the Lease.

"Net Proceeds" shall mean any insurance proceeds (other than proceeds of any insurance policy resulting from liability to a third person for damages for bodily and personal injury, death or property damage connected with the construction or operation of the Leased Property) or condemnation award in excess of $100,000, paid with respect to the Leased Property, or any proceeds resulting from the sale of the Leased Property following an Event of Default, remaining after payment therefrom of all expenses incurred in the collection thereof.

"Original Purchaser" shall mean RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as the original purchaser of the 2007 Certificates.

"Outstanding", when used with reference to the Certificates, shall mean, as of any date of determination, all Certificates theretofore executed and delivered except:

(a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Certificates which are deemed paid and no longer Outstanding as provided in the Trust Agreement;

(c) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions of the Trust Agreement relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and

(d) Certificates owned or held by or for the account of the Lessee or by any person directly or indirectly controlled by, or under direct or indirect common control with the Lessee (except any Certificates held in any pension or retirement fund), for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement.

"Owner" or *"Certificate Owner"* or *"Owner of a Certificate"*, or any similar term, when used with respect to a Certificate shall mean the person in whose name such Certificate shall be registered.

"Permitted Encumbrances" shall mean, as of any particular time (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Lease, permit to remain unpaid, (ii) the Lease, (iii) the Ground Lease, (iv) the Trust Agreement, (v) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist as of the date of issuance of the Certificates and which the County certifies in writing shall not materially impair the use of the Leased Property for purposes of the Lease or the security granted to the Trustee in the Trust Agreement, and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor and the County and the Certificate Insurer consent in writing.

"Permitted Investments" shall mean and include the following investments (to the extent permitted by law):

(a) Defeasance Obligations.

(b) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: (A) the Export Import Bank of the United States, (B) the Rural Economic Community Development Administration (formerly the Farmers Home Administration), (C) the U.S. Maritime Administration, (D) the Small Business Administration, (E) the U.S. Department of Housing and Urban Development (PHA's), (F) the Federal Housing Administration, and (G) the Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or the Freddie Mac, (B) obligations of the Resolution Funding Corporation (REFCORP), (C) senior debt obligations of the Federal Home Loan Bank System, and (D) senior debt obligations of other government-sponsored agencies approved by the Certificate Insurer.

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's, and which matures not more than 270 days after the date of purchase.

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(g) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P or Moody's or any successors thereto, or

(ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of obligations described in clause (B) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally-recognized independent certified public accountant or firm of such accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity or redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) General obligations of any state of the United States of America rated at least "A2/A" or higher by both S&P and Moody's

(i) Investment agreements and other forms of investments, including repurchase agreements, approved in writing by the Certificate Insurer (in the case of investment agreements, with appropriate opinions of counsel) with notice to S&P.

(j) Such other investments as are approved in writing by the Certificate Insurer.

"Prepayment" shall mean any payment applied towards the prepayment of the Lease Payments, in whole or in part, pursuant to the Lease.

"*Project Agreement*" shall mean the Project Agreement, dated as of May 1, 2007, between the County and the Trustee, together with any amendment thereof or supplement thereto permitted by the Trust Agreement.

"Project Costs" shall mean the price paid or to be paid by the Lessor to cause the acquisition and construction of the Leased Property in accordance with the Project Agreement and the acquisition and construction of the Community Services Department Facility, together with all other costs and expenses incidental to such acquisition and construction.

"*Project Fund*" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Qualified Self-Insurance" shall mean any program of self-insurance regarding which the Trustee has received a written evaluation of an independent insurance consultant or actuarial consultant having a favorable reputation for skill and experience and an opinion of such consultant that adequate reserves for such program are either maintained with an independent corporate trustee or otherwise held with appropriate safeguards to insure their availability. Notwithstanding the foregoing, any self-insurance program maintained by the County in accordance with Arizona Revised Statutes Sections 11-981, 11-952.01 and 11.952.02 or their successors, shall be deemed to be Qualified Self-Insurance under the Lease.

"*Site*" shall mean that certain real property located in Pima County, Arizona, being leased by the Trustee to the County pursuant to the Lease, together with all improvements existing thereon at the time of execution of the Lease, including the Existing Facility.

"State" shall mean the State of Arizona.

"Tax Compliance Certificate" shall mean any agreement or certificate of the County which the County may execute in order to establish and maintain the exclusion from gross income for federal income tax purposes of the interest component to the Lease Payments payable with respect to the Certificates.

"Term of the Lease" shall mean the time during which the Lease is in effect, as provided therein.

"Trust Agreement" shall mean the Trust Agreement, dated as of May 1, 1997, between the Trustee, and the County, together with any amendments or supplements thereto permitted to be made thereunder.

LEASE

Lease of Leased Property

The Lessor has agreed to lease the Leased Property to the County pursuant to the Lease. The term of the Lease, began on the date of delivery of the 2007 Certificates, and continues until July 1, 2022*, unless terminated prior thereto as provided therein.

Upon the County's failure to obtain, on or prior to the last date on which the County is required or permitted to adopt its budget for a fiscal year of the full amount of funds necessary to make all Lease Payments coming due during the fiscal period for which such budgeting and appropriation are made all of the County's right, title and interest in and future obligations under the Lease and to all of the Leased Property shall terminate (subject to reinstatement within 45 days of such terminate date), effective as of the last day of the last fiscal period for which such budgeting and appropriation were properly obtained.

Lease Payments; Additional Rent; Reduction of Rental

The County has agreed to pay the Lease Payments as rental for the use and occupancy of the Leased Property, which shall be paid in arrears on June 15 and December 15 of each year.

The amount of Lease Payments shall be reduced upon the redemption of Certificates resulting from Prepayment of Lease Payments, including those resulting from damage or destruction (other than by eminent domain which is hereinafter discussed), of the Leased Property causing substantial interference with the use and occupancy thereof by the County. The Lease Payments shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates (after any redemption of Certificates resulting from such Prepayments made with the Net Proceeds of insurance coverage for such damage or destruction), which resulting Lease Payments are deemed to represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. In the event of any such reduction, the Lease shall continue in full force and effect and the County shall waive any right to terminate the Lease by virtue of any damage and destruction of the Leased Property causing such reduction in Lease Payments.

In addition to Lease Payments, the County has agreed to pay when due as Additional Rent (a) all costs and expenses of the Lessor or the Trustee to comply with the provisions of the Trust Agreement, (b) payments required to be deposited into the Rebate Fund pursuant to the Trust Agreement to make certain arbitrage rebate payments to the federal government, (c) compensation and expenses of the Trustee, (d) certain indemnification amounts (e) all costs and expenses of auditors, engineers and legal counsel, and (f) all rent for any holdover period during which the County stays in possession of the Leased Property after termination of the Lease.

Maintenance, Utilities, Taxes and Modifications

The County, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Lessor has no responsibility for such repair. The County has the power to make additions, modifications and improvements to the Leased Property which do not damage or reduce their value to a value substantially less than that which existed prior to such modification or improvement. Any such additions, modifications or improvements shall automatically become subject to the Lease. The County must pay or cause to be paid all taxes, other governmental charges and utility charges with respect to the Leased Property, as well as any taxes and assessments, if any, which it is legally obligated to pay.

Insurance

The Lease requires the County to maintain or cause to be maintained the following insurance against risk or physical damage to the Leased Property and other risks for the protection of the Certificate Owners and the Trustee:

(i) General Liability. The County shall maintain or cause to be maintained, throughout the term of the Lease through Qualified Self-Insurance or a standard commercial general insurance policy or policies with a responsible insurance company or companies authorized under the laws of the State to assume such risks, of such types and in such amounts as are then customary for similar institutions carrying on similar activities to those carried on the Leased Property.

(ii) Fire and Extended Coverage, Vandalism and Malicious Mischief. The County shall maintain or cause to be maintained, throughout the term of the Lease, insurance or Qualified Self-Insurance against loss or damage to any structure or equipment constituting any part of the Leased Property by fire and lightning, with extended coverage and malicious mischief insurance. Coverage shall be in an amount equal to 100% of the replacement cost of the Leased Property. Such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss.

The insurance described in paragraphs (i) and (ii) may be maintained as part of or in conjunction with any other liability or fire and extended coverage for insurance, respectively, carried or required to be carried by the County and may be maintained in the form of Qualified Self-Insurance by the County.

(iii) Title Insurance. The County provided a title insurance policy in the amount of the aggregate principal amount of the 2007 Certificates, insuring the Trustee's estate in the Leased Property, subject only to Permitted Encumbrances.

All policies of insurance (except the policy of general liability insurance) must provide that the Net Proceeds thereof shall be payable to the Trustee. The Net Proceeds of fire and extended coverage insurance shall be deposited in the Insurance and Condemnation Fund and applied to restore, replace, repair, modify or improve the Leased Property or to the prepayment of Lease Payments and the corresponding redemption of Certificates. See "TRUST AGREEMENT -- Funds - Insurance and Condemnation Fund". The Net Proceeds of general liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The proceeds of title insurance shall be deposited in the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding redemption of Outstanding Certificates. The County has agreed to pay or cause to be paid when due the premiums on all insurance policies and furnish evidence of such payments promptly to the Trustee and the Certificate Insurer. Upon receipt by the Trustee of any notice of expiration, cancellation or reduction of any insurance policy required to be maintained on the Leased Property pursuant to the Lease, the Trustee shall notify the Certificate Insurer of the same.

In the event the County maintains Qualified Self-Insurance for general liability insurance and fire and extended coverage insurance required under the Lease, the County shall cause to be delivered to the Trustee and the Certificate Insurer annually the documentation required for the determination that such self-insurance constitutes Qualified Self-Insurance. Additionally, to the extent the Trustee may not be named as an insured or loss payee under any insurance or Qualified Self-Insurance, the County assigns to the Trustee its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective rights under the Lease appear

on the date of payment. The County shall furnish an annual certificate to the Trustee stating that the insurance in effect meets the requirements of the Lease.

Eminent Domain

If all of the Leased Property shall be taken permanently under the power of eminent domain, the term of the Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) the Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties thereto waive the benefit of any law to the contrary, and (ii) there shall be a partial reduction of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the Prepayment of the Lease Payments, which shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates, which represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. See 'Lease -- Lease Payments; Additional Rent; Reduction of Rental."

The County has agreed, to the extent permitted by law, to not enter into any settlement agreement with a governmental entity bringing condemnation proceedings without the consent of the Certificate Insurer and to use its best efforts to obtain any condemnation award in an amount at least equal to the amount of Outstanding Certificates plus accrued interest.

Option to Purchase Leased Property

The County has the option to purchase all of the Leased Property by prepaying the Lease Payments in whole at any time at the prices set forth in the Lease. In the event that the County elects to exercise its option prior to the optional redemption dates of the Certificates, the County is required to make such Prepayment by depositing certain Permitted Investments and cash, if required, sufficient, together with earnings on the investment thereof to pay and redeem the appropriate amount of Certificates. The optional prepayment prices have been determined such that all of the Outstanding Certificates shall be retired in the event the County elects to purchase all of the Leased Property.

The County may on any date secure the payment of Lease Payments with respect to any element of the Leased Property by deposit with the Trustee of certain Permitted Investments and cash, if required, in such amount as shall, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Permitted Investments then on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund related to the Lease Payments with respect to such Leased Property, be fully sufficient to pay all unpaid Lease Payments and Additional Rent with respect to such Leased Property on the respective Lease Payment Dates or on the applicable date for Prepayment of Lease Payments, as the County instructs at the time of said deposit.

Assignment; Subleases

With the exception of tenant leases in place at the time of execution and delivery of the 2007 Certificates, or renewals or extensions thereof, the County may not assign any of its rights in the Lease, and may not sublease all or a portion of the Leased Property without the written consent of the Trustee and the Certificate Insurer and only under the conditions contained in the Lease, including the condition that such sublease not adversely affect the exclusion of the interest components of the Lease Payments from federal gross income when paid to the Owners of the 2007-A Certificates.

Events of Default

Each of the following constitutes an "event of default" under the Lease:

(i) Failure by the County to make any Lease Payment or other payment required under the Lease when due and continuation of such failure for two (2) days; or

(ii) Failure by the County to comply with any covenant, agreement or condition contained in the Lease or the Trust Agreement, other than default described in above, and the continuance of such failure or default for a period of 30 days after written notice thereof has been given to the County by the Trustee, the lessor, the Certificate Insurer or the Owners of not less than 5% in aggregate principal amount of Certificates then Outstanding; provided, if the failure stated in the notice can be corrected, but not within such 30 day period, the Trustee, the Lessor, the Certificate Insurer and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within such 30 day period and diligently pursued until the default is corrected; or

(iii) Any representation or warranty made by the County under the Lease shall be untrue in any material respect; or.

(iv) Certain events relating to bankruptcy of the County or the inability of the County to pay its debts.

Notwithstanding the foregoing, if, by reason of Force Majeure, the County is unable to perform or observe any agreement, term or condition of the Lease, other than any obligation to make Lease Payments or Additional Rent, the County shall not be deemed in default during the continuance of such inability. However, the County shall promptly give notice to the Trustee of existence of any event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strike or labor disturbances shall be entirely within the County's discretion.

The term "Force Majeure" shall mean, without limitation: Acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the Untied States or any of its departments, agencies, political subdivisions, courts or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lighting; earthquakes; fire; hurricanes; tornados; storms; droughts; floods; arrests; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation.

Upon the occurrence and continuance of any event of default, the Lessor may at its option elect to terminate the Lease or, with or without such termination, to re-enter, take possession of the Leased Property, to the exclusion of the County, and sell, convey, re-rent or re-let the Leased Property. Any amounts collected by the Lessor from the sale or reletting of the Leased Property shall be credited towards the County's unpaid Lease Payments. Any net proceeds of re-lease or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date. Pursuant to the Trust Agreement, the Lessor assigns all of its rights with respect to remedies in an event of default to the Trustee, so that all such remedies shall be exercised by the Trustee and the Certificate Owners as provided in the Trust Agreement.

Notwithstanding any of the foregoing, but subject to the Trustee's rights under the Trust Agreement to receive indemnification for expenses incurred in pursuing remedies, so long as the Certificate Insurer is not in default of its payment obligations under the Certificate Insurance Policy and such Certificate Insurance Policy or Policies are in effect, the Certificate Insurer, acting alone, will have the right to direct the Trustee to pursue any remedy provided for in the Lease and the Trustee will not pursue any remedy except with the prior consent of the Certificate Insurer. The Trustee will not waive any default or event of default under the Lease without the prior consent of the Certificate Insurer.

TRUST AGREEMENT

The Certificate Insurer as Owner

So long as an Certificate Insurer of a series of Certificates is not in default on its payment obligations under its Certificate Insurance Policy or Policies, such Certificate Insurer shall be deemed to be an Owner of a sufficient percentage of the respective Outstanding Certificates of such series to (i) initiate any action or effect any demand which Owners of such series may initiate or effect, and (ii) approve or disapprove any action, forbearance or amendment which is subject to approval of or initiation by the Owners of such series of Certificates.

Pledge and Security

Pursuant to the Trust Agreement, the Trustee is authorized and directed to acquire, to receive and to hold as security for the Owners of the Certificates, the following:

A. All right, title and interest of the Lessor in and to the Leased Property; subject, however, to the rights of the County under the Lease.

B. All right, title and interest of the Lessor in and to the Ground Lease, the Lease and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement thereof, and (iii) do any and all things which the Lessor is or may become entitled to do thereunder.

C. All right, title and interest of the Lessor in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Trust Agreement (other than the Rebate Fund).

The Trust Agreement also represents a declaration by the Trustee that it holds the above rights and interests in trust for the benefit of the Owners of the Certificates.

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to execute and deliver the Certificates and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the County's instructions.

Funds

The Trust Agreement creates the Project Fund, the Delivery Costs Fund, the Lease Payment Fund and the Insurance and Condemnation Fund to he held in trust by the Trustee.

Project Fund. There shall be deposited into the Project Fund (after certain deposits are made to the Delivery Costs Fund) amounts necessary to acquire and improve the Leased Property and the Community Services Department Facilities. Money deposited in the Project Fund will be disbursed by the Trustee, upon written order of the County representative, to pay such costs.

Delivery Costs Fund. There shall be deposited in the Delivery Costs Fund amounts necessary to pay costs relating to the execution, sale and delivery of Certificates, which amounts shall be disbursed by the Trustee, upon the written order of the County.

Lease Payment Fund. There shall be deposited into the Lease Payment Fund, when received by the Trustee, all Lease Payments and Prepayments. Moneys on deposit in the Lease Payment Fund shall be used to pay principal of, redemption premiums, if any, and interest on the Certificates.

Insurance and Condemnation Fund. Any Net Proceeds of insurance or condemnation awards in excess of $100,000 shall be deposited in the Insurance and Condemnation Fund. Moneys on deposit, in the event of an insurance award, shall be used, as directed by the County, either to replace, repair or improve the Leased Property or be transferred to the Lease Payment Fund and applied to the Prepayment of the Certificates. However, if the Leased Property is destroyed in full, such Net Proceeds may only be used to prepay Lease Payments if they are sufficient, together with other available moneys, to fully prepay the Certificates. If such moneys are not so sufficient, they shall be used to replace, repair or improve the Leased Property.

Net Proceeds of a condemnation award shall be used as follows: (i) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such eminent domain proceedings have not materially affected the operation of any of the Leased Property or the County's ability to meet its obligations under the Lease, and if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the Lease Payment Fund as a credit against Lease Payments, (ii) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceedings have not materially affected the operations of any of the Leased Property or the County's ability to meet its obligations under the Lease and such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the order of the County such portion of the proceeds required for such repair, rehabilitation or replacement, (iii) to prepay Lease Payments and redeem Certificates if less than all of the Leased Property is taken and the Trustee determines that such proceedings have materially affected the operation of the Leased Property or the County's ability to meet its obligations under the Lease, or (iv) if all of the Leased Property is taken, to prepay Lease Payments and thereby redeem Certificates.

Any moneys in the Insurance and Condemnation Fund (including investment earnings) remaining after the repair, replacement or improvement of the Leased Property is completed shall be paid to the County.

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement upon order of a representative of the County in Permitted Investments. Except as otherwise provided, any earnings on investment of moneys in the funds created under the Trust Agreement shall be transferred at least semi-annually to the Lease Payment Fund. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, shall be repaid to the County,

Event of Default; Acceleration

Upon the occurrence of an Event of Default, the Trustee, upon the prior written consent of the Certificate Insurer or at the written direction of the Certificate Insurer, and in any event if the Certificate Insurer is in default on its payment obligations under a Certificate Insurance Policy, shall take action to exclude the County from the Leased Property and may, with the prior written consent of the Certificate Insurer, and upon the request of the Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under a Certificate Insurance Policy, upon the request of the Owners of at least 5% in Outstanding principal amount of the Certificates, shall exercise any and all remedies available at law or pursuant to the Lease including declaring the Certificates then Outstanding to be immediately due and payable; provided however that no such acceleration shall change or otherwise affect the County's obligation to make Lease Payments and Additional Rent only during the term of the Lease and at the amounts and times provided therein. The Owner of any Certificate may institute any suit, action, or other proceedings in equity or at law for the protection or enforcement of any right under the Lease or Trust Agreement if and only if (i) such Owner has given written notice to the Trustee of such Event of Default, (ii) a majority of Certificate Owners have first notified the Trustee in writing of the event of default and made written request of the Trustee to exercise such powers, (iii) the Trustee shall have been offered reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, (iv) the Trustee shall have refused or omitted to comply with such request 60 days following receipt of such written request and such tender of indemnity, and (v) the Certificate Insurer shall have consented to such suit, action or proceeding; provided, however, the Certificate Insurer's consent is not required if the Certificate Insurer is in default on its payment obligations under a Certificate Insurance Policy.

Amendment

The Trust Agreement or the Lease may be amended by agreement among the parties thereto with the consent of the Certificate Insurer and without the consent of the Owners of the Certificates but only (i) 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 Trust Agreement to the Lessor or the County, (ii) to cure, correct or supplement any ambiguous or defective provision, (iii) in regard to questions arising thereunder, which shall not, in the judgment of the Trustee, materially adversely affect the interest of the Owners, or (iv) to provide additional terms and conditions in connection with the issuance of Additional Certificates, which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners. Any other amendment shall require the approval of the Certificate Insurer and the Owners of a majority in principal amount of the Certificates then Outstanding; provided that no such amendment shall (i) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such owner's consent, (ii) reduce the percentage of Owners of Certificates required to consent to any amendment or modification, or (iii) modify any of the Trustee's rights or obligations without its consent.

Defeasance

Upon payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit of Defeasance Obligations with the Trustee sufficient together with other available funds, without reinvestment, to retire the Certificates at or before maturity, the Trust Agreement shall be terminated, except for the obligations of the Trustee to make payments on the Certificates.

Any Certificate or portion thereof in authorized denominations may be paid as provided in the preceding paragraph; provided, however, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions of the Trust Agreement or the County shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; and provided further, that if any such Certificate or portion thereof shall not mature or be redeemed within 60 days of the deposit of the moneys or the respective Permitted Investments referred to in the preceding paragraph, the Trustee shall give notice of such deposit by first class mail to the Owners.

THE PROJECT AGREEMENT

The County assigns, conveys, transfers and sets over to the Lessor all of the County's rights and interest in and to the Improvements and in and to certain purchase contracts, construction contracts and purchase orders (the "Contracts") including the right to (i) acquire each item of Improvements pursuant to the Contracts, (ii) take title to such Improvements, (iii) be named the purchase in any bill or bills of sale to be delivered by various sellers and suppliers (the "Contractors") pursuant to the Contracts, (iv) all claims for damages with respect to each item of Improvements arising as a result of any default by the Contractors, and (v) any and all rights of the County to compel performance of the terms of the Contracts with respect to such Improvements. With respect to each item of Improvements, so long as such item of Improvements shall be subject to the Lease and the County shall be entitled to possession of such Improvements thereunder, the County hereby reserves (I) the rights under all warranty and indemnity provisions contained in the Contracts, and (II) the right to amend, modify or supplement the Contracts; provided that the Contracts as amended, modified or supplemental still provide for the construction, acquisition and delivery of the Improvements.

The Lessor agrees, subject to the delivery of the invoices provided in the Project Agreement and other conditions in the Lease, that the Lessor shall pay or cause to be paid to the respective contractors the cost of the Improvements then to be purchased constituting the invoice price of such Improvement. The Lessor shall have no obligation to make the foresaid payments otherwise than from funds deposited with the Trustee, pursuant to the Trust Agreement.

THE GROUND LEASE

The County leases the Existing Facility to the Lessor, in its capacity as trustee under the Trust Agreement, and the Lessor leases such Existing Facility from the County for the period commencing as of the date of the Ground Leases and terminating on July 1, 2022* provided, that in no event shall the lease of the Existing Facility terminate before the termination of the Lease.

Under the Lease, the Lessor shall agree to lease the Existing Facility along with any Improvements thereon to the County.

Title to the Existing Facility and the Improvements shall at all times remain with the County, subject to the terms of the Ground Lease and the Lease.

The Lessor prepays its rental payments under the Ground Lease upon execution and delivery of the Ground Leases in connection with the execution and delivery of the 2007 Certificates.

The County shall have the right to terminate the Ground Leases upon written notice to the Lessor of (a) defeasance of the Lease and the Trust Agreement with respect to any series of Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property with respect to any series of Certificates pursuant to the Lease and defeasance of the Trust Agreement with respect to any series of Certificates as permitted thereunder.

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

[Closing Date]

Pima County, Arizona
Tucson, Arizona

Re: $_____ Pima County, Arizona
Certificates of Participation, Series 2007-A and Taxable 2007-B

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the execution and delivery by U.S. Bank National Association (the "Bank"), as trustee (the "Trustee") of $_____ aggregate principal amount of Certificates of Participation, Series 2007-A (Justice Building Project), dated as of the date hereof (the "2007-A Certificates") and $_____ aggregate principal amount of Certificates of Participation, Taxable Series 2007-B (Justice Building Project), dated as of the date hereof (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates"), executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between Pima County, Arizona (the "County") and the Trustee, and relating to a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease Agreement"), between the Bank, as lessor, and the County.

The documents in the Transcript examined include executed counterparts of. (i) the Ground Lease, dated as of May 1, 2007 (the "Ground Lease"), between the County, as lessor, and the Bank, as lessee, (ii) the Lease Agreement, and (iii) the Trust Agreement, We also have examined a conformed copy of the 2007-A Certificates and the Taxable Series 2007-B Certificates.

The Ground Lease, the Lease Agreement and the Trust Agreement are referred to collectively as the "County Documents."

The 2007 Certificates each represent undivided and proportionate interests in the obligations of the County under the Lease Agreement. The County has agreed to lease certain real and personal property from the Bank, as lessor, under the Lease Agreement.

Based upon our examination, we are of the opinion that, under existing law:

1. The County is duly organized and validly existing under the laws of the State of Arizona, and has all requisite power to enter into and perform its obligations under the County Documents.

2. The County Documents each have been duly authorized, executed and delivered by the County, and assuming due authorization, execution and delivery thereof by the other parties thereto, constitute legal, valid and binding obligations of the County enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws generally affecting the enforcement of creditors' rights and to principles of equity in the event equitable remedies are sought.

3. The 2007 Certificates have been duly authorized, executed and delivered by the Trustee at the request and for the benefit of the County and are valid and binding limited and special obligations payable solely from the Lease Payments (as defined in the Lease Agreement) and certain funds held under the related Trust

Agreement as provided therein. The 2007 Certificates are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the County, the State of Arizona or any political subdivision thereof.

4. The portion of each Lease Payment made by the County pursuant to the Lease Agreement and denominated as and comprising interest pursuant the Lease Agreement and received by the owners of the 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The 2007-A Interest Portion is exempt from Arizona state income tax. We express no opinion as to any other tax consequences regarding the 2007 Certificates. We also express no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2007 Certificates in the event of termination of the Lease Agreement due to nonappropriation.

In giving the foregoing opinion with respect to the treatment of the 2007-A Interest Portion under the tax laws, we have assumed and relied upon compliance with the covenants of the County and the accuracy, which we have not independently verified, of the representations and certifications of the County, contained in the Transcript. The accuracy of those representations and certifications, and the County's compliance with those covenants, may be necessary for the 2007-A Interest Portion to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to execution and delivery of the 2007-A Certificates could cause the 2007-A Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2007-A Certificates.

Under the Code, a portion of the 2007-A Interest Portion earned by corporations may be subject to the federal corporate alternative minimum tax, and the 2007-A Interest Portion may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

We express no opinion as to the Statement of Insurance of the 2007 Certificates referring to the financial guaranty insurance policy relating to the 2007 Certificates issued by Ambac Assurance Corporation or as to the insurance referred to in that statement.

Respectfully submitted,

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

$29,495,000*
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
SERIES 2007-A

$1,540,000*
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
TAXABLE SERIES 2007-B

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the execution and delivery of $29,495,000* principal amount of Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and $1,540,000* principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "Certificates") pursuant to a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement") between the County and U.S. Bank National Association, as trustee.

In connection with the Certificates, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Certificates and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" shall mean the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" shall mean the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" shall mean the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"Commission" shall mean the Securities and Exchange Commission.

"Dissemination Agent" shall mean any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Material Event" shall mean the occurrence of any of the events with respect to the Certificates set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

---

*Preliminary, subject to change

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIRs" shall mean, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

"Rule" shall mean Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"SID" shall mean any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Undertaking, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Undertaking.

"State" shall mean the State of Arizona.

"Undertaking" shall mean the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"Underwriter" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Certificates.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Certificates is _____. The Final Official Statement relating to the Certificates is dated April___, 2007.

4. Annual Information Disclosure. Subject to Section 10 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I), to all NRMSIRs and to the SID, if any. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual 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. Material Events Disclosure. Subject to Section 10 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to each NRMSIR, or to the MSRB and to the SID, if any.

6. Duty to Update NRMSIRs/SID. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to each NRMSIR, or to the MSRB and to the SID, if any, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Certificates. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 4, 5, 7, 10 and 11 requiring that the County file its Annual Information Disclosure, notice of any Material Event and notice of any failure to comply with this Undertaking or non-appropriation or termination with respect thereto with each of the NRMSIRS and any SID, the County may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Commission as eligible to receive and submit such filings to the NRMSIRS and any SID for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Commission is:

DisclosureUSA.org
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

9. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment 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 County, or type of business conducted;

(b) This Undertaking, as amended, 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 does not materially impair the interests of the beneficial owners of the Certificates, as determined by an independent counsel or other entity unaffiliated with the County.

10. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to each NRMSIR and the SID.

11. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Certificates or the Rule no longer applies to the Certificates. The County shall give notice in a timely manner if this Section is applicable to each NRMSIR, or to the MSRB, and to the SID, if any.

12. Dissemination Agent. The County 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 Dissemination Agent, with or without appointing a successor Dissemination Agent.

13. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County 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 Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

14. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Certificates, and shall create no rights in any other person or entity.

15. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

16. Assignment. The County shall not transfer its obligations under the Certificate Resolution unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

17. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Date: May__, 2007

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" shall mean quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix B in the tables entitled "PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES," PIMA COUNTY, ARIZONA, STATEMENT OF FUND BALANCES – ALL GOVERNMENTAL FUND TYPES" and "PIMA COUNTY, ARIZONA, COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE."

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 to each NRMSIR and to the SID, if any, 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 Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, no later than the first business day in February of each year, commencing February 1, 2008. 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 generally accepted accounting principles, as applied to governmental units as modified by State law ("GAAP"), Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the 2007-A Certificates
7. Modifications to the rights of holders of the Certificates
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Certificates
11. Rating changes

APPENDIX F

AUDITED FINANCIAL STATEMENTS FOR PIMA COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, two major funds, and a component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Government-wide Statements				
Governmental Activities:				
Stadium District	0.09%	0.08%	0.42%	0.29%
Self-Insurance Trust	2.75%	6.77%	0.29%	0.70%
Business-type Activities:				
Wastewater Management	91.89%	86.15%	30.42%	23.10%
Pima Health System & Services	4.36%	12.47%	64.74%	72.18%
Development Services	2.50%	1.23%	4.46%	4.04%
Self-Insurance Trust	0.00%	0.00%	0.00%	0.29%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
Fund Statements				
Major Funds:				
Wastewater Management	100.00%	100.00%	100.00%	100.00%
Pima Health System & Services	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.28%	0.35%	1.23%	0.74%
Development Services	3.85%	1.86%	7.39%	5.68%
Self-Insurance Trust	8.83%	30.60%	6.84%	7.95%

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Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the County retroactively reported infrastructure assets not previously capitalized as part of the phased implementation requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The Management's Discussion and Analysis on pages 13 through 27, the Budgetary Comparison Schedules on pages 71 through 73, and the Schedule of Agent Retirement Plans' Funding Progress on page 74 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining statements and other schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In connection with our audit, except for the instances of noncompliance that will be reported in the County's Single Audit Reporting Package that will be issued at a future date, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards,* we will also issue our report on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 1, 2006

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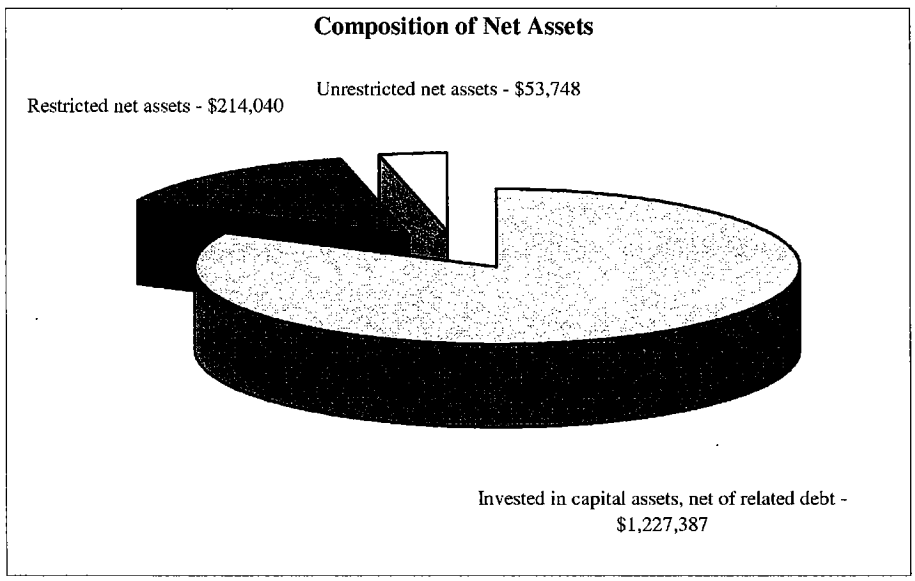
Management's Discussion and Analysis

Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2006, and should be read in conjunction with the County's basic financial statements in the following sections. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

FINANCIAL HIGHLIGHTS

- At June 30, 2006, the County's combined assets exceeded combined liabilities (*net* assets) by $1,495,175, an increase of 9.1% from the prior year. Of this amount, $53,748 is available for general government expenditures (*unrestricted net assets)*, $214,040 is restricted for specific purposes (*restricted net assets)*, and $1,227,387 is invested in capital assets, net of related debt and accumulated depreciation.



- Of the total fund balances of the County's governmental funds, total fund balance decreased $38,009 to $213,998, with $196,018 of this amount available for expenditure. The amount available for expenditure is comprised of $46,423 for the General fund, $15,685 for the Transportation fund, $84,472 for the Capital Projects fund and $49,438 for the County's other governmental funds.

- The General fund unreserved fund balance increased $13,252 from the previous year to $46,423. This balance represents approximately 11.5% of the County's General fund expenditures and 6.1% of total governmental funds expenditures.

- The Solid Waste fund, formally a division of Wastewater Management Enterprise Fund, has been reclassified as a special revenue fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information (4) is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Wastewater Management, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 29-31 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable State statutes and federal OMB budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds,* (2) *proprietary funds,* and (3) *fiduciary funds.*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Transportation and Capital Projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 32-35 of this report.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for certain health care services, including medical and long-term health care, sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management, automotive fleet maintenance and operations, printing and graphic services and telecommunications. Because these services predominantly benefit governmental rather than business-type functions, most of the assets and liabilities of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Wastewater Management and Pima Health System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 36-39 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 42-69 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General and Transportation Special Revenue funds' budgetary schedules and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 71-74 of this report.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental and enterprise funds and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 76-106 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by $1,495,175 at June 30, 2006. The following table shows condensed information for the Statement of Net Assets:

Table 1
Statement of Net Assets
At June 30, 2006

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2005-2006	2004-2005*	2005-2006	2004-2005	2005-2006	2004-2005*
Current and other assets	$ 342,194	$ 372,920	$ 114,925	$ 96,000	$ 457,119	$ 468,920
Capital assets:						
Land, buildings, equipment, infrastructure & other	1,146,334	1,072,091	597,365	596,538	1,743,699	1,668,629
Total assets	1,488,528	1,445,011	712,290	692,538	2,200,818	2,137,549
Current and other liabilities	83,175	79,660	40,048	43,514	123,223	123,174
Long-term liabilities	446,000	469,861	136,420	160,275	582,420	630,136
Total liabilities	529,175	549,521	176,468	203,789	705,643	753,310
Net assets :						
Invested in capital assets, net of related debt	761,130	754,742	466,257	457,600	1,227,387	1,212,342
Restricted	159,759	107,297	54,281	10,298	214,040	117,595
Unrestricted (deficit)	38,464	33,451	15,284	20,851	53,748	54,302
Total net assets	$ 959,353	$ 895,490	$ 535,822	$ 488,749	$ 1,495,175	$ 1,384,239

*As restated - See Note 2 & Note 5 of the financial statements

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2006, investment in capital assets totaled $1,227,387, comprising approximately 82.1% of total net assets. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. The $15,045 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2006, restricted net assets totaled $214,040 and comprised approximately 14.3% of total net assets. This represents a $96,445 increase in restricted net assets from the $117,595 balance of fiscal year 2004-05.

The remaining balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2006, unrestricted net assets totaled $53,748 and comprised approximately 3.6% of total net assets.

Governmental activities

Governmental activities contributed $63,863, or 57.6% of the County's $110,936 increase, in total net assets during fiscal year 2005-06. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Comparative Statements of Activities
For the Years Ended June 30, 2006 and 2005

	Fiscal Year		Variance	
	2005-2006	2004-2005	Amount	Percent
Program revenues:				
Charges for services	$ 72,121	$ 61,882	$ 10,239	16.5%
Operating grants and contributions	133,113	125,121	7,992	6.4%
Capital grants and contributions	12,188	23,663	(11,475)	-48.5%
Total program revenues	217,422	210,666	6,756	3.2%
General revenues:				
Property taxes	316,170	294,643	21,527	7.3%
State-shared taxes	129,052	115,140	13,912	12.1%
Investment earnings	12,942	6,140	6,802	110.8%
Other general revenues	35,720	35,422	298	0.8%
Total general revenues	493,884	451,345	42,539	9.4%
Total revenues	711,306	662,011	49,295	7.4%
Expenses:				
General government	208,293	194,873	13,420	6.9%
Public safety	132,583	118,412	14,171	12.0%
Highways and streets	70,392	65,414	4,978	7.6%
Sanitation	7,258		7,258	100.0%
Health	32,043	31,798	245	0.8%
Welfare	103,085	96,199	6,886	7.2%
Culture and recreation	34,510	29,663	4,847	16.3%
Education and economic opportunity	39,517	39,714	(197)	-0.5%
Unallocated depreciation and amortization	165	1,010	(845)	-83.7%
Interest on long-term debt	19,463	16,152	3,311	20.5%
Total expenses	647,309	593,235	54,074	9.1%
Excess before transfers	63,997	68,776	(4,779)	-6.9%
Transfers in (out)	(134)	1,935	(2,069)	-106.9%
Change in net assets	$ 63,863	$ 70,711	$ (6,848)	-9.7%

Key elements of the change in net assets from governmental activities include:

- Program revenues increased $6,756, reflecting increases by Charges for services and Operating grants & contributions of $18,231 and a decrease of $11,475 in Capital grants & contributions.

    - Revenue from Charges for services increased by $10,239 primarily due to the reclassification of Solid Waste from a business-type activity under Wastewater Management to a governmental fund. This accounted for 44.3% of the increase, or $4,531. There was also a 13.8% increase, or $3,152, within the functional class general government that was primarily due to a reclassification of Internal Service fund revenues of $2,709 from general miscellaneous revenues to charges for services.

    - Revenue from Operating grants and contributions increased by $7,992 due primarily to an increase of $5,666 in the function class general government. The County received $2,100 in federal revenue from the Help America Vote Act (HAVA) grant to purchase touch screen voting equipment, and a $1,575 increase in federal revenue for the County Law Enforcement Antiracketeering grant. In addition, there was a $3,058 increase for HURF revenue in the functional class highways and streets.

    - Revenue from Capital grants & contributions decreased by $11,475 due primarily to a $14,089 decline in governmental funding for County capital projects. There was a $9,016 and $484 decrease in federal and state funding, respectively, for the Veterans Memorial Overpass project and a $2,685 decline in state funding for the La Cholla Boulevard project. There was also a $2,110 decline in federal funding for the Wetmore/Ruthrauff intersection project. These projects were completed during the fiscal year.

- General revenues increased by $42,539, primarily due to increases in property tax revenues and state-shared tax revenues. Increases in real property assessed valuations and residential construction activity were the primary factors generating increases in property tax revenues of $21,527. Sales tax revenue increased $11,648, or 12.7%, due to growth in retail sales.

- Investment earnings continue to improve as interest rates rose for a second consecutive fiscal year. During the majority of the fiscal year, the County invested a majority of its funds in the State Treasurer's Local Government Investment Pool. The average interest rate for the pool was 2.34% for fiscal year 2004-05 and 3.94% for fiscal year 2005-06.

- Total expenses for governmental activities increased by $54,074 due to the following:

    - An increase of $22,201 in personnel costs, primarily attributable to salary adjustments of 4.2% for County employees and a one step increase for Sheriff's deputies and sergeants. Additionally, increases in the County's required contribution to the Public Safety Retirement system for Sheriff's deputies generated increases in personnel costs. This increase is predominately reflected in the public safety category.

    - The Solid Waste fund was reclassified into the Governmental activities resulting in an increase of $7,258 in expenses for the sanitation function.

    - The increase in expenditures for welfare was due to a state-mandated increase of $360 in the monthly contribution to the Arizona Long-Term Care system (ALTCS), an increase of $3,925 for health care services to both the adult and juvenile detention centers and an increase of $1,128 for psychiatric services.

- The addition of bridge structures to infrastructure resulted in $1,244 for depreciation expense. This addition is reflected in the highway and streets functional expense.

Business-type activities

Business-type activities contributed $47,073, or 42.4%, of the County's increase of $110,936 in total net assets during the year ended June 30, 2006. The following table shows changes in net assets for business-type activities:

Table 3
Business-type Activities
Comparative Statements of Activities
For the Years Ended June 30, 2006 and 2005

	Fiscal Year		Variance	
	2005-2006	2004-2005	Amount	Percent
Program revenues:				
Charges for services	$ 376,874	$ 353,548	$ 23,326	6.6%
Operating grants and contributions	4,997	4,238	759	17.9%
Capital grants and contributions	449		449	100.0%
Total program revenues	382,320	357,786	24,534	6.9%
General revenues:				
Capital contributions	14,607	20,722	(6,115)	-29.5%
Investment earnings	3,849	1,609	2,240	139.2%
Other general revenues	1,348	4,028	(2,680)	-66.5%
Total general revenues	19,804	26,359	(6,555)	-24.9%
Total revenues	402,124	384,145	17,979	4.7%
Expenses:				
Wastewater Management	82,701	76,079	6,622	8.7%
Pima Health System & Services	256,583	249,809	6,774	2.7%
Development Services	14,422	10,857	3,565	32.8%
Parking Garages	1,479	1,494	(15)	-1.0%
Total expenses	355,185	338,239	16,946	5.0%
Excess before transfers	46,939	45,906	1,033	2.3%
Transfers in (out)	134	(1,935)	2,069	-106.9%
Change in net assets	$ 47,073	$ 43,971	$ 3,102	7.1%

Key elements of the change in net assets from business-type activities include:

- Charges for services increased by $23,326, primarily as a result of:
  - Wastewater Management increased sewer utility service and connection fees, resulting in an increase of $12,122 in charges for services.
  - An increase of $8,816 within Pima Health System & Services primarily due to an increase of $8,117 in the Arizona Long Term Care System (ALTCS) and an increase of

$5,752 in the Arizona Health Care Cost Containment System (AHCCCS) programs, a result of rate increases. This was offset by a loss in revenue from reinsurance claims.

- An increase of $2,410 in license and permit revenue for Development Services due to an increase in construction activity in FY 2005-06.

- Operating grants and contributions increased by $759 due primarily to Pima Health System & Services. During FY 2005-06, there was an increase in carry-over dollars from Pima Council on Aging that drove this increase. "Carry-over dollars" are Title III funds. When these funds are not fully expended in the prior fiscal year, then the State reallocates and distributes the money across various regions in the state in the following fiscal year.

- Expenses increased by $16,946, due to the following changes:

  - An increase of $6,774 in Pima Health System & Services due primarily to increases of $2,351 for employee compensation the result of salary adjustments of 4.2% for County employees and $3,408 for medical claims due to a rate increase.

  - An increase of $6,622 in Wastewater Management due primarily to increases of $2,071 in consultants and professional services and $2,308 in depreciation expenses.

  - An increase of $3,565 in Development Services due primarily to an increase of $2,079 in employee compensation the result of salary adjustments of 4.2% for County employees.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The County's general government functions are accounted for in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, the County's governmental funds reported combined fund balances of $213,998, a decrease of $38,009 from the prior year. Approximately 91.6% of the combined fund balances, or $196,018, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- $6,784 to pay debt service

- $5,769 to reflect inventories and prepaid amounts

- $2,648 for specified programs

- $1,660 to reflect a loan receivable

- $1,044 designated for Mt. Lemmon flood mitigation

- $75 for capital repairs and refurbishments

The General Fund is the chief operating fund of the County. At June 30, 2006, unreserved fund balance of the general fund was $46,423 while total fund balance reached $51,575. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.5% of total General fund expenditures, while total fund balance represents 12.8% of that same amount.

Revenues for governmental functions totaled approximately $714,340 in fiscal year 2005-06, which represents an increase of $47,923 (7.2%) from the previous year.

The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4
Revenues Classified by Source
All Governmental Funds

	Fiscal Year					
	2005-2006		2004-2005		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	$ 321,474	45.0%	$ 300,972	45.2%	$ 20,502	6.8%
Special assessments	215	0.0%	244	0.0%	(29)	-11.9%
Licenses and permits	7,452	1.0%	7,265	1.1%	187	2.6%
Intergovernmental	291,059	40.8%	278,414	41.8%	12,645	4.5%
Charges for services	63,582	8.9%	53,568	8.0%	10,014	18.7%
Fines and forfeits	6,014	0.8%	5,967	0.9%	47	0.8%
Interest	11,382	1.6%	5,181	0.8%	6,201	119.7%
Miscellaneous	13,165	1.9%	14,806	2.2%	(1,641)	-11.1%
Total revenues	$ 714,343	100.0%	$ 666,417	100.0%	$ 47,926	7.2%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes Revenues from property taxes increased $20,502. This was a result of growth in construction activity within the County over the past year, as well as continued increases in assessed property valuations and greater real estate market values.

- Intergovernmental The $12,645 increase in intergovernmental revenue was due primarily to a $12,335 increase in state shared sales tax revenue, the result of increased construction and retail sales and population growth.

- Charges for services The $10,014 increase in charges for services revenues is due primarily to the reclassification of Solid Waste to a governmental fund and an increase in overhead allocation.

- Interest As previously mentioned, during the majority of the fiscal year the County invested a majority of its funds in the State Treasurer's Local Government Investment Pool. Interest rates

increased in fiscal year 2005-06 to 3.94% from 2.34% in the prior year, and resulted in increased interest revenue.

The following table presents expenditures by function compared to prior year amounts:

Table 5
Expenditures by Function
All Governmental Funds

Government Function	Fiscal Year 2005-2006 Amount	Percent	2004-2005 Amount	Percent	Variance Amount	Percent
General government	$ 203,881	26.8%	$ 193,308	27.0%	$ 10,573	5.5%
Public safety	121,229	15.9%	109,798	15.3%	11,431	10.4%
Highways and streets	39,394	5.2%	38,363	5.4%	1,031	2.7%
Sanitation	6,271	0.8%			6,271	100.0%
Health	30,038	3.9%	30,802	4.3%	(764)	-2.5%
Welfare	103,034	13.5%	96,996	13.5%	6,038	6.2%
Culture and recreation	28,561	3.8%	23,172	3.2%	5,389	23.3%
Education and economic opportunity	37,918	5.0%	38,098	5.3%	(180)	-0.5%
Capital outlay	121,007	15.9%	127,632	17.8%	(6,625)	-5.2%
Debt service:						
- Principal	50,547	6.6%	42,891	6.0%	7,656	17.9%
- Interest	19,448	2.6%	16,127	2.2%	3,321	20.6%
- Miscellaneous	15	0.0%	25	0.0%	(10)	-40.0%
Total expenditures	$ 761,343	100.0%	$ 717,212	100.0%	$ 44,131	6.2%

Total expenditures in governmental funds increased during fiscal year 2005-06 by $44,131.

- The $11,431 increase in public safety expenditures was due primarily to an increase in personnel costs. The County Sheriff's deputies and sergeants received a one step salary adjustment. In addition, corrections officer staffing numbers were increased.

- The $7,656 increase in debt service principal payments was the result of the addition of the 2005 general obligation and street and highways bonds to the payment schedule.

- The $10,573 increase in general government expenditures was due primarily to the increase in the County's administration overhead. In addition, personnel costs increased due to salary adjustments of 4.2% for County employees.

- The $6,271 in sanitation expenditures resulted from the transfer of the Solid Waste fund into a governmental fund from the Wastewater Management Enterprise Fund.

Budget to Actual Comparison for the General Fund

Overall, budgeted revenues and expenditures for the General Fund were generally consistent with actual fund activity. Actual revenues exceeded budgeted revenues by $17,481 and actual expenditures were less than budgeted expenditures by $1,236. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Proprietary funds

The County's proprietary fund functions are contained in the enterprise and internal service funds. The enterprise funds of the County are Pima Health System and Services, Wastewater Management, Development Services and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

The following table presents a comparison of this year's enterprise fund activities with the prior year:

Table 6
Summary Statement of Revenues, Expenses and Changes in Fund Net Assets
Total Enterprise Funds
For the Fiscal Years ended June 30, 2006 and 2005

	Fiscal Year		Variance	
	2005-2006	2004-2005	Amount	Percent
Operating revenues:				
Net patient services	$ 252,034	$ 243,032	$ 9,002	3.7%
Charges for services	82,162	73,372	8,790	12.0%
Other	1,348	2,943	(1,595)	-54.2%
Total net operating revenues	335,544	319,347	16,197	5.1%
Operating expenses:				
Employee compensation	73,452	68,266	5,186	7.6%
Medical claims	205,951	202,543	3,408	1.7%
Operating supplies & services	9,105	7,146	1,959	27.4%
Utilities	6,007	4,470	1,537	34.4%
Sludge and refuse disposal	1,298	2,456	(1,158)	-47.2%
Repair and maintenance	5,184	4,463	721	16.2%
General and administrative	14,328	13,602	726	5.3%
Consultants and professional services	8,018	5,679	2,339	41.2%
Depreciation and amortization	21,092	18,783	2,309	12.3%
Total operating expenses	344,435	327,408	17,027	5.2%
Operating loss	(8,891)	(8,061)	(830)	10.3%
Nonoperating revenues (expenses):				
Intergovernmental revenue	5,904	4,397	1,507	34.3%
Shared state tax revenue		1,163	(1,163)	-100.0%
Interest income	3,849	1,609	2,240	139.2%
Sewer connection fees	42,220	36,907	5,313	14.4%
Interest expense	(4,720)	(4,294)	(426)	9.9%
Loss on disposal of capital assets	(22)	(577)	555	-96.2%
Amortization of deferred charges	(97)	(97)		0.0%
Premium tax	(4,949)	(4,792)	(157)	3.3%
Total nonoperating revenues	42,185	34,316	7,869	22.9%
Income (loss) before contributions and transfers	33,294	26,255	7,039	26.8%
Capital contributions	14,607	21,926	(7,319)	-33.4%
Transfers in	156		156	100.0%
Transfers (out)	(22)	(3,139)	3,117	-99.3%
Change in net assets	$ 48,035	$ 45,042	$ 2,993	6.6%

Key activity within the enterprise funds for fiscal year 2005-06 include the following:

- While net operating revenues for the County's Enterprise Funds increased $16,197, operating expenses increased $17,027, resulting in an operating loss of $8,891, or a decline of $830 from the prior year. The operating loss was due to Wastewater Management, which reported a loss of $15,044, as compared to the operating income reported by Pima Health System and Services of $3,076, Development Services of $3,050 and Parking Garages of $27.

- Net patient services revenues increased by $9,002 from fiscal year 2004-05. This is attributable to increased membership enrollment for Pima Health System and Services, which generated increases in capitation revenues.

- Charges for services revenues increased by $8,790 as compared to the prior year. Wastewater Management reported an increase of $6,587 due to an increase in sewer utility service fee revenue. Development Services reported an increase of $2,410 due to an increase in permit revenue, as a result of an increase in construction activity.

- Employee compensation expenses increased by $5,186 from fiscal year 2004-05, due to an increase of $2,351 for Pima Health System and Services and an increase of $2,079 for Development Services. Both increases were primarily due to the Board of Supervisor's approved salary rate increases and position reclassifications.

- Medical claims expense continued to increase this year as a result of higher enrollment for Pima Health System and Services during the fiscal year. An increase in doctor fees is also responsible for a portion of the rise in medical claims expenditures.

- Sewer connection fees charged by Wastewater Management increased by $5,313 due to increased connection fee rates.

Capital Assets and Debt Administration

Capital Assets

The County's capital assets increased as a result of retroactively reporting the County's general governmental infrastructure bridge assets. GASB Statement No.34 allowed for a phase-in period for retroactively reporting infrastructure. GASB 34 required this to be completed in Fiscal Year 2006. The implementation of this accounting pronouncement has resulted in a restatement of beginning net assets of $13,289. Additional information regarding the County's restatement of beginning net assets can be found in Note 2 of the financial statements on page 47 of this report.

The County's investment in capital for its governmental and business-type activities as of June 30, 2006 amounted to $1,743,699 (net of accumulated depreciation), an increase of 4.5%. Of the $75,070 increase in net capital assets, $74,243 (98.9%) came from governmental activities and $827 (1.1%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Land increased by $14,993 due primarily to the following acquisitions for governmental activities: $2,017 for the Justice Court complex property, $1,806 for the Canoa Ranch property, $1,084 for the Tortolita Mountain Park property, $1,795 for the Tucson Mountain Park property, $1,073 for the Rillito Race Track property, $3,001 for land acquisition related to flood control projects and $3,698 that represented Solid Waste assets transferred from Wastewater Management.

- Buildings and improvements increased by $53,655 due primarily to the expansion and upgrade of the Ina Road Treatment Facility for $62,010.

- Infrastructure increased by $49,726 due primarily to the capitalization of $23,610 for the Veteran's Memorial Overpass project, $18,727 for the Wetmore/Ruthrauff Intersection project, $12,681 for the La Cholla Boulevard: River Road to Omar Road project and $7,809 for the Catalina Highway: Tanque Verde to Houghton Road project.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7
Capital Assets
Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2005-2006	2004-2005*	2005-2006	2004-2005	2005-2006	2004-2005*
Land	$ 222,954	$ 202,408	$ 8,706	$ 14,259	$ 231,660	$ 216,667
Construction in progress	115,305	117,118	14,842	63,325	130,147	180,443
Buildings and improvements	271,771	268,996	239,799	188,919	511,570	457,915
Sewage conveyance system			327,335	322,145	327,335	322,145
Equipment	38,634	35,625	6,683	7,890	45,317	43,515
Infrastructure	497,670	447,944			497,670	447,944
Total	$ 1,146,334	$ 1,072,091	$ 597,365	$ 596,538	$ 1,743,699	$ 1,668,629

*As restated - See Note 2 and Note 5 of the financial statements

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 51-53 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8
Long-Term Debt
Governmental Funds

	Fiscal Year	
	2005-2006	2004-2005
Bonds issued (at face value):		
General obligation		$ 65,000
Street and highway revenue		51,200
Loans	$ 4,836	
Capital leases	231	
Total	$ 5,067	$ 116,200

During the fiscal year, the Transportation Department received $4,836 in loan proceeds for the Alvernon Way road project from the state's Highway Expansion and Extension Loan Program (HELP). As of June 30, 2006, $1,511 of this amount remained unspent. On May 16, 2006, Pima County voters approved $54,000 in general obligation bonds for psychiatric facilities.

In the prior year, the county received $65,000 in proceeds from the sale of general obligation bonds and $51,200 from the sale of transportation revenue bonds. As of June 30, 2006, $4,186 of proceeds from general obligation bonds and $9,168 from transportation revenue bonds were unspent. The majority of the general obligation bonds were spent on public health and community facilities, parks and recreational facilities and the Sonoran Desert open space and habitat protection plan, while proceeds from transportation revenue bonds were allocated to various roadway projects.

Pima County maintains an "A+" rating from Standard & Poor's and an "A1" rating from Moody's for general obligation bonds, street and highway revenue bonds, sewer revenue bonds, and flood control general obligation bonds, except for the General Obligation Bonds, Series 2004 which Standard & Poor's upgraded to AA-.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is $907,643, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on pages 54-62 of this report.

Economic Factors and Next Year's Budget

Pima County continues to record steady increases in various aspects of its economy. Increases in residential construction continue to contribute to increases in the real property taxes, along with increases in valuation. Increases in per-capita wage income and sales taxes have also provided indications of economic growth.

The budget for fiscal year 2006-07 has expenditures for the General Fund increasing by approximately $35.5 million primarily due to the following:

- $8.2 million of expenditure authority in the Budget Stabilization Fund in anticipation of various legislative relief actions partially offset by like reductions in individual affected department budgets
- $8.0 million for an employee compensation package consisting of one step for commissioned and corrections staff, 2.8 percent for most other employees to address inflation, 1.7 percent for employees who are members of the Arizona State Retirement System whose required contribution will increase by that percentage, and an increase in the shift differential hourly rate
- $5.4 million in supplemental funding for individual departments
- $5.0 million for possible unallowable fiscal year 2004-05 Transportation expenditures
- $4.8 million of various increase identified for General Fund departments that underwent the zero base budget process
- $4.6 million increase in payments to the Metropolitan Tucson Convention & Visitors Bureau
- $2.1 million net increase in state mandated employer contributions to the various state retirement systems; $1.8 million increase in the County's contribution toward the cost of other non-retirement benefits
- $1.7 million representing the annual cost of salary adjustments for correction officers and specialists approved during fiscal year 2005-06

- $1.1 million in supplemental funding in the Budget Stabilization Fund to fund possible loss of grant funding by the County Attorney and Sheriff
- $3.1 million increase for the primary and general elections held in the fall of 2006 partially offset by a $1.6 million reduction for the regional transportation plan election held in the spring of 2006
- $1.9 million increase in the adult detention health care contract cost partially offset by a $551 decrease in juvenile detention health care contract costs
- $900 reduction for Vocation Rehabilitation costs moved to the Employment & Training Fund
- $1.8 million net reduction due to the transfer of Economic Development & Tourism funding to a new special revenue fund
- $5.0 million scheduled decrease in the County's obligations under the agreement with University Physicians Healthcare to operate the former Kino Community Hospital

Request for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

Exhibit A -1

PIMA COUNTY
STATEMENT OF NET ASSETS
June 30, 2006
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
ASSETS				
Cash and cash equivalents	$ 260,630	$ 73,347	$ 333,977	$ 1,294
Property taxes receivable (net)	8,824		8,824	
Interest receivable	463		463	
Internal balances	3,659	(3,659)		
Due from other governments	53,046	3,136	56,182	
Accounts receivable (net)	2,960	22,944	25,904	16
Inventories	2,645	3,147	5,792	30
Prepaids	4,397	95	4,492	17
Investments	911		911	
Other assets	696	751	1,447	4
Restricted assets:				
Cash and cash equivalents	2,303	15,164	17,467	
Loans receivable	1,660		1,660	
Capital assets not being depreciated:				
Land	222,954	8,706	231,660	
Construction in progress	115,305	14,842	130,147	
Capital assets being depreciated (net):				
Buildings and improvements	271,771	239,799	511,570	1,507
Sewage conveyance system		327,335	327,335	
Equipment	38,634	6,683	45,317	402
Infrastructure	497,670		497,670	
Total assets	1,488,528	712,290	2,200,818	3,270
LIABILITIES				
Accounts payable	34,685	10,566	45,251	215
Accrued medical and healthcare claims		18,736	18,736	
Interest payable		1,432	1,432	
Contract retentions	634		634	
Employee compensation	30,670	6,369	37,039	
Due to other governments	7,790	114	7,904	
Deposits and rebates	2,303		2,303	22
Deferred revenues	7,093	2,831	9,924	
Noncurrent liabilities:				
Due within one year	56,055	11,073	67,128	104
Due in more than one year	389,945	125,347	515,292	140
Total liabilities	529,175	176,468	705,643	481
NET ASSETS				
Invested in capital assets, net of related debt	761,130	466,257	1,227,387	1,665
Restricted for:				
Special revenue	53,384		53,384	
Highways and streets	21,353		21,353	
Debt service	7,934	438	8,372	
Capital projects	77,088		77,088	75
Wastewater management		48,379	48,379	
Healthcare		5,464	5,464	
Unrestricted	38,464	15,284	53,748	1,049
Total net assets	$ 959,353	$ 535,822	$ 1,495,175	$ 2,789

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 208,293	$ 26,033	$ 30,532	$ 692
Public safety	132,583	8,136	12,193	1,300
Highways and streets	70,392	21,617	57,057	8,068
Sanitation	7,258	4,531	1,136	
Health	32,043	9,693	11,664	
Welfare	103,085		839	
Culture and recreation	34,510	1,797	8	2,090
Education and economic opportunity	39,517	314	19,684	38
Amortization - unallocated	165			
Interest on long-term debt	19,463			
Total governmental activities	647,309	72,121	133,113	12,188
Business-type activities:				
Wastewater Management	82,701	104,501	529	449
Pima Health System & Services	256,583	253,748	4,468	
Development Services	14,422	17,140		
Parking Garages	1,479	1,485		
Total business-type activities	355,185	376,874	4,997	449
Total primary government	$ 1,002,494	$ 448,995	$ 138,110	$ 12,637
Component unit:				
Southwestern Fair Commission	$ 5,411	$ 5,563	$ 88	
Total component units	$ 5,411	$ 5,563	$ 88	

General revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets
- Capital and other contributions

Transfers
- Total general revenues and transfers
  - Change in net assets

Net assets at beginning of year, as restated
Net assets at end of year

See Notes to the Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission	Functions/Programs
				Primary government:
				Governmental activities:
$ (151,036)		$ (151,036)		General government
(110,954)		(110,954)		Public safety
16,350		16,350		Highways and streets
(1,591)		(1,591)		Sanitation
(10,686)		(10,686)		Health
(102,246)		(102,246)		Welfare
(30,615)		(30,615)		Culture and recreation
(19,481)		(19,481)		Education and economic opportunity
(165)		(165)		Amortization - unallocated
(19,463)		(19,463)		Interest on long-term debt
(429,887)		(429,887)		**Total governmental activities**
				Business-type activities:
	$ 22,778	22,778		Wastewater Management
	1,633	1,633		Pima Health System & Services
	2,718	2,718		Development Services
	6	6		Parking Garages
	27,135	27,135		**Total business-type activities**
(429,887)	27,135	(402,752)		**Total primary government**
				Component unit:
			$ 240	Southwestern Fair Commission
			$ 240	**Total component units**
				General revenues:
237,510		237,510		Property taxes, levied for general purposes
19,929		19,929		Property taxes, levied for regional flood control district
15,539		15,539		Property taxes, levied for library district
43,192		43,192		Property taxes, levied for debt service
6,856		6,856		Hotel/motel taxes, levied for sports facility and tourism
1,808		1,808		Other taxes, levied for stadium district
103,158		103,158		Unrestricted share of state sales tax
25,894		25,894		Unrestricted share of state vehicle license tax
7,975		7,975		Grants and contributions not restricted to specific programs
5,683		5,683		Interest and penalties on delinquent taxes
12,942	3,849	16,791		Investment earnings
12,828	1,348	14,176	86	Miscellaneous
323		323		Gain on sale of capital assets
247	14,607	14,854	15	Capital and other contributions
(134)	134			Transfers
493,750	19,938	513,688	101	Total general revenues and transfers
63,863	47,073	110,936	341	Change in net assets
895,490	488,749	1,384,239	2,448	Net assets at beginning of year, as restated
$ 959,353	$ 535,822	$ 1,495,175	$ 2,789	Net assets at end of year

See Notes to the Financial Statements

Exhibit A - 3

PIMA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006
(in thousands)

	General	Transportation	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 45,695	$ 19,605	$ 93,966	$ 58,999	$ 218,265
Property taxes receivable (net)	6,562			2,262	8,824
Interest receivable	1	54	256	20	331
Due from other funds	4,669	48	146	1,081	5,944
Due from other governments	24,869	9,441	2,647	15,995	52,952
Accounts receivable	1,334	3	28	1,338	2,703
Inventory		2,027		136	2,163
Prepaid expenditures	3,492	43		71	3,606
Loan receivable	1,660				1,660
Other assets	160				160
Restricted cash equivalents			2,303		2,303
Total assets	$ 88,442	$ 31,221	$ 99,346	$ 79,902	$ 298,911
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 11,868	$ 1,825	$ 10,846	$ 8,665	$ 33,204
Contract retentions			601	33	634
Employee compensation	6,090	568	25	1,604	8,287
Due to other funds	1,252	81	111	2,940	4,384
Due to other governments	56	7,389	309	36	7,790
Deposits and rebates			2,303		2,303
Deferred revenues	17,601	3,603	679	6,428	28,311
Total liabilities	36,867	13,466	14,874	19,706	84,913
Fund balances:					
Reserved for:					
Inventory		2,027		136	2,163
Prepaid expenditures	3,492	43		71	3,606
Debt service				6,784	6,784
Capital repairs and refurbishments				75	75
Specified programs				2,648	2,648
Loan receivable	1,660				1,660
Unreserved, designated for:					
Special revenue, flood mitigation				1,044	1,044
Unreserved, undesignated:					
General fund	46,423				46,423
Capital projects			84,472		84,472
Special Revenue		15,685		49,276	64,961
Debt service				162	162
Total fund balances	51,575	17,755	84,472	60,196	213,998
Total liabilities and fund balances	$ 88,442	$ 31,221	$ 99,346	$ 79,902	$ 298,911

See Notes to the Financial Statements

Exhibit A - 4

PIMA COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2006
(in thousands)

Fund balances - total governmental funds		$ 213,998
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 1,674,587	
Less accumulated depreciation	(546,029)	1,128,558
Some liabilities and their associated issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(362,059)	
Loans and leases payable	(32,165)	
Unamortized deferred issuance costs reported as other assets	536	(393,688)
Some compensated absences are not due and payable shortly after June 30, 2006, and therefore are not reported in the governmental funds		
Employee compensation		(21,731)
Some liabilities are not due and payable shortly after June 30, 2006, and are therefore not reported in the governmental funds		
Landfill liability		(16,268)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		21,218
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		27,266
Net assets of governmental activities		$ 959,353

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A - 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006
(in thousands)

	General	Transportation	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 242,948			$ 78,526	$ 321,474
Special assessments				215	215
Licenses and permits	2,536	$ 368		4,548	7,452
Intergovernmental	143,982	58,368	$ 11,157	77,552	291,059
Charges for services	27,102	1,603	19,101	15,776	63,582
Fines and forfeits	5,786			228	6,014
Interest	2,491	840	4,639	3,412	11,382
Miscellaneous	4,935	765	567	6,898	13,165
Total revenues	429,780	61,944	35,464	187,155	714,343
Expenditures:					
Current:					
General government	168,394			35,487	203,881
Public safety	96,687			24,542	121,229
Highways and streets		39,337		57	39,394
Sanitation				6,271	6,271
Health	2,401			27,637	30,038
Welfare	102,496			538	103,034
Culture and recreation	13,104			15,457	28,561
Education and economic opportunity	16,682			21,236	37,918
Capital outlay			121,007		121,007
Debt service - principal	1,750			48,797	50,547
- interest	1,292			18,156	19,448
- miscellaneous	5			10	15
Total expenditures	402,811	39,337	121,007	198,188	761,343
Excess (deficiency) of revenues over (under) expenditures	26,969	22,607	(85,543)	(11,033)	(47,000)
Other financing sources (uses):					
Capital leases				231	231
Proceeds from sale of capital assets	22	376		18	416
Face amount of long-term debt			4,836		4,836
Transfers in	3,563	22	17,529	38,834	59,948
Transfers (out)	(16,206)	(24,917)		(15,140)	(56,263)
Total other financing sources (uses)	(12,621)	(24,519)	22,365	23,943	9,168
Net change in fund balances	14,348	(1,912)	(63,178)	12,910	(37,832)
Fund balance at beginning of year	37,227	19,793	147,650	47,337	252,007
Change in reserve for inventory		(126)		(62)	(188)
Change in reserve for prepaids				11	11
Fund balance at end of year	$ 51,575	$ 17,755	$ 84,472	$ 60,196	$ 213,998

See Notes to the Financial Statements

Exhibit A - 6

PIMA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(in thousands)

Net change in fund balances - total governmental funds		$ (37,832)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense		
Expenditures for capital assets	$ 105,537	
Less current year depreciation	(42,629)	62,908
Transfers of capital assets between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		11,335
Transfers of long term liabilities between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		(15,780)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Face amount of long-term debt	(4,836)	
Face amount of capital lease	(231)	
Debt service - principal payments	50,547	
Amortization expense	(165)	45,315
Some revenues reported in the statement of activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds.		
Property tax revenues	378	
Other	1,464	1,842
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Change in compensated absences	(1,920)	
Change in landfill liability	(632)	
Net book value of capital asset disposals	(127)	
Change in reservation of fund balances	(177)	(2,856)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net expense of the internal service funds is reported with governmental activities		(1,069)
Change in net assets of governmental activities		$ 63,863

See Notes to the Financial Statements

Exhibit A - 7

PIMA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006
(in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Assets					
Current assets:					
Cash and cash equivalents	$ 12,739	$ 42,261	$ 18,347	$ 73,347	$ 42,365
Restricted cash and cash equivalents		14,672		14,672	
Interest receivable					132
Due from other funds	1	1		2	381
Due from other governments	2,843	293		3,136	94
Accounts receivable (net)	14,624	8,318	2	22,944	257
Inventory	116	3,031		3,147	482
Prepaid expense		93	2	95	791
Total current assets	30,323	68,669	18,351	117,343	44,502
Noncurrent assets:					
Restricted cash and cash equivalents		492		492	
Investments					911
Capital assets:					
Land and other improvements		6,845	1,861	8,706	592
Buildings and improvements	1,116	340,260	12,927	354,303	614
Sewage conveyance system		490,600		490,600	
Equipment	1,302	12,974	1,989	16,265	29,361
Less accumulated depreciation	(1,528)	(277,567)	(8,256)	(287,351)	(12,791)
Construction in progress		14,842		14,842	
Total capital assets (net of accumulated depreciation)	890	587,954	8,521	597,365	17,776
Deferred financing costs		751		751	
Total noncurrent assets	890	589,197	8,521	598,608	18,687
Total assets	31,213	657,866	26,872	715,951	63,189
Liabilities					
Current liabilities:					
Accounts payable	911	8,330	1,325	10,566	1,481
Accrued medical and health care claims	18,736			18,736	
Employee compensation	2,348	2,991	1,030	6,369	652
Interest payable		1,432		1,432	
Due to other funds	1,657	177	7	1,841	102
Due to other governments		24	90	114	
Deferred revenues	2	2,829		2,831	
Current portion of sewer revenue bonds		5,570		5,570	
Current portion of wastewater loans payable		5,503		5,503	
Current portion reported but unpaid losses					5,507
Current portion incurred but not reported losses					2,046
Total current liabilities	23,654	26,856	2,452	52,962	9,788
Noncurrent liabilities:					
Contracts and notes		4,562		4,562	
Sewer revenue bonds		46,140		46,140	
Wastewater loans payable		74,645		74,645	
Reported but unpaid losses					20,257
Incurred but not reported losses					7,698
Total noncurrent liabilities		125,347		125,347	27,955
Total liabilities	23,654	152,203	2,452	178,309	37,743
Net assets					
Invested in capital assets, net of related debt	890	456,846	8,521	466,257	17,776
Restricted for:					
Debt service		438		438	
Wastewater management		4,356		4,356	
Healthcare	5,464			5,464	
Unrestricted	1,205	44,023	15,899	61,127	7,670
Total net assets	$ 7,559	$ 505,663	$ 24,420	537,642	$ 25,446

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.	(1,820)
Net assets of business-type activities	$ 535,822

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A - 8

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities-
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
Net patient services	$ 252,034			$ 252,034	
Charges for services	1,714	$ 61,823	$ 18,625	82,162	$ 32,177
Other	649	451	248	1,348	2,128
Total net operating revenues	254,397	62,274	18,873	335,544	34,305
Operating expenses:					
Employee compensation	35,801	27,625	10,026	73,452	6,772
Medical claims	205,951			205,951	
Operating supplies and services	1,602	6,322	1,181	9,105	5,404
Utilities	372	5,314	321	6,007	808
Sludge and refuse disposal		1,298		1,298	
Repair and maintenance	397	4,297	490	5,184	3,133
Incurred losses					12,185
Insurance premiums					5,163
General and administrative	5,493	6,436	2,399	14,328	2,243
Consultants and professional services	1,487	5,610	921	8,018	503
Depreciation	218	20,416	458	21,092	2,316
Total operating expenses	251,321	77,318	15,796	344,435	38,527
Operating income (loss)	3,076	(15,044)	3,077	(8,891)	(4,222)
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,468	1,436		5,904	
Interest income	1,464	1,784	601	3,849	1,531
Sewer connection fees		42,220		42,220	
Interest expense	(96)	(4,624)		(4,720)	
Gain (loss) on disposal of capital assets		(20)	(2)	(22)	34
Amortization of deferred charges		(97)		(97)	
Premium tax	(4,949)			(4,949)	
Total nonoperating revenues (expenses)	887	40,699	599	42,185	1,565
Income (loss) before contributions and transfers	3,963	25,655	3,676	33,294	(2,657)
Capital contributions		14,607		14,607	
Transfers in		156		156	626
Transfers (out)		(22)		(22)	
Change in net assets	3,963	40,396	3,676	48,035	(2,031)
Net assets at beginning of year	3,596	465,267	20,744	489,607	27,477
Net assets at end of year	$ 7,559	$ 505,663	$ 24,420	537,642	$ 25,446

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of certain internal service funds is reported with business-type activities.	(962)
Change in net assets of business-type activities	$ 47,073

See Notes to the Financial Statements

Exhibit A - 9

PIMA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services provided	$ 1,670		$ 78	$ 1,748	$ 32,177
Cash received from customers for goods and services provided	247,244	$ 61,819	18,659	327,722	
Cash received from miscellaneous operations	662	451	248	1,361	2,387
Cash payments to suppliers for goods and services	(218,327)	(21,805)	(2,531)	(242,663)	(14,430)
Cash payments to other funds for goods and services	(3,363)	(7,478)	(2,932)	(13,773)	(2,956)
Cash payments for incurred losses					(6,950)
Cash payments to employees for services	(36,039)	(28,215)	(9,296)	(73,550)	(7,004)
Net cash provided by (used for) operating activities	(8,153)	4,772	4,226	845	3,224
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(103)			(103)	
Cash transfers in from other funds					322
Cash transfers out to other funds		(4,312)		(4,312)	
Loans with other funds	(1,797)	128		(1,669)	(15)
Premium Tax	(4,949)			(4,949)	
Intergovernmental revenues	4,661	529		5,190	
Net cash provided by (used for) noncapital financing activities	(2,188)	(3,655)		(5,843)	307
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		1,086		1,086	
Principal paid on bonds and loans		(9,501)		(9,501)	
Interest paid on bonds and loans		(4,225)		(4,225)	
Sewer connection fees		42,142		42,142	
Proceeds from sale of capital assets		2		2	275
Proceeds from intergovernmental contract		191		191	
Purchase of capital assets	(47)	(14,340)	(843)	(15,230)	(2,686)
Net cash provided by (used for) capital and related financing activities	(47)	15,355	(843)	14,465	(2,411)
Cash flows from investing activities:					
Interest received on cash and investments	1,538	1,871	630	4,039	1,547
Net cash provided by investing activities	1,538	1,871	630	4,039	1,547
Net increase (decrease) in cash and cash equivalents	(8,850)	18,343	4,013	13,506	2,667
Cash and cash equivalents at beginning of year	21,589	39,082	14,334	75,005	39,698
Cash and cash equivalents at end of year	$ 12,739	$ 57,425	$ 18,347	$ 88,511	$ 42,365

(Continued)

See Notes to the Financial Statements

Exhibit A - 9.1

PIMA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating income (loss)	$ 3,076	$ (15,044)	$ 3,077	$ (8,891)	$ (4,222)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	218	20,416	458	21,092	2,316
Decrease (increase) in assets:					
Accounts Receivable	(5,773)	(241)	16	(5,998)	273
Due from other governments	834	237	18	1,089	(13)
Inventory and other assets	(3)	(216)		(219)	42
Prepaid expenses		(67)	(1)	(68)	
Increase (decrease) in liabilities:					
Accounts payable	(5,471)	265	719	(4,487)	(175)
Interfund payables	(3)			(3)	
Due to other funds			7	7	
Due to other governments		12	34	46	
Reported but unpaid losses					4,921
Incurred but not reported losses					314
Other current liabilities	(1,031)	(590)	(102)	(1,723)	(232)
Net cash provided by (used for) operating activities	$ (8,153)	$ 4,772	$ 4,226	$ 845	$ 3,224

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2006:

Wastewater Management Enterprise Fund retired capital assets with a net book value of $22

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling $14,408, and other capital assets with a net book value of $26. These contributions were recorded as an increase in capital assets and capital contributions.

Wastewater Management Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of $17. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Wastewater Management Enterprise Fund retired expired sewer credit agreements totaling $190. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

Wastewater Management Enterprise Fund transferred the capital assets of the Solid Waste Management division with a net book value of $11,335 to the County's general government.

Wastewater Management Enterprise Fund conveyed the long-term liabilities of the Solid Waste Management division in the amount of $15,780 to the County's general government.

Other Enterprise Funds disposed of capital assets with a net book value of $2.

Internal Service Funds sold assets with a net book value of $241, resulting in a gain on disposal of $34.

Internal Service Funds had unpaid transfers of $304 at year-end.

Internal Service Funds transferred $5 of completely depreciated capital assets to, and received $11 of completely depreciated capital assets from, the County's general capital assets.

See Notes to the Financial Statements

Exhibit A - 10

PIMA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006
(in thousands)

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 236,494	$ 53,521
Interest receivable	727	
Due from other governments		3,715
Total assets	237,221	57,236
LIABILITIES		
Employee compensation		7,558
Due to other governments		26,594
Deposits and rebates		23,084
Total liabilities		$ 57,236
NET ASSETS		
Held in trust for pool participants	$ 237,221	

See Notes to the Financial Statements

Exhibit A - 11

PIMA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

	Investment Trust Funds
ADDITIONS	
Contributions from participants	$ 2,263,471
Total contributions	2,263,471
Investment earnings	9,002
Total investment earnings	9,002
Total additions	2,272,473
DEDUCTIONS	
Distributions to participants	2,237,409
Total deductions	2,237,409
Change in net assets	35,064
Net assets held in trust July 1, 2005	202,157
Net assets held in trust June 30, 2006	$ 237,221

See Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Pima County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Board of Directors of the District comprises the same individuals who constitute the Pima County Board of Supervisors. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Board of Directors is the Pima County Board of Supervisors. The Library District and the City of Tucson had intergovernmental agreements to provide library services since 1986 through June 30, 2006. On July 1, 2006, the District assumed control of the operations of the libraries. The transition of operations from the City of Tucson to the District is governed by an intergovernmental agreement that is described in Note 16. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Note 1 - Summary Of Significant Accounting Policies (continued)

Related Organization

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 - Summary Of Significant Accounting Policies (continued)

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The **Transportation Fund** accounts for administrative and operating costs, as well as resources transferred to the Capital Projects Fund for construction of highways and streets, and resources transferred to the Debt Service Fund for payment of Transportation Revenue bonds. Financing is provided primarily from the County share of gasoline and vehicle license tax collected by the State.

The County reports the following major enterprise funds:

Pima Health System and Services provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

Wastewater Management Fund accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, printing and graphic services, and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Agency Funds account for the assets held by the County as an agent for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

C. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be

Note 1 - Summary Of Significant Accounting Policies (continued)

available if the revenues are collected within 30 days after year-end. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services.

Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

D. Cash and Investments

Primary government:

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity period of 3 months or less when purchased to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

E. Inventories and Prepaids

The County accounts for its inventories in the governmental funds using the purchases method.

Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method or average cost method.

Note 1 - Summary Of Significant Accounting Policies (continued)

Inventories of Pima Health System and Services, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of Wastewater Management, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of Fleet Services, an internal service fund, are valued at the lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchases method.

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost, or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows (excluding component units):

	Capitalization Threshold	**Depreciation Method**	**Estimated Useful Life**
Land	All	N/A	N/A
Land improvements	All	Straight Line	20 to 30 Years
Buildings and building improvements	$100	Straight Line	10 to 50 Years
Equipment	$ 5	Straight Line	4 to 25 Years
Fleet service vehicles	$ 5	Units of Production based on number of hours or miles	5 to 15 Years
Infrastructure	$100	Straight Line	10 to 50 Years

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

Note 1 - Summary Of Significant Accounting Policies (continued)

H. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate a limited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide financial statements.

Note 2: Net Asset Beginning Balances Restated

In compliance with GASB Statement No. 34, Pima County retroactively reported its Transportation bridges infrastructure network that was acquired or received substantial improvement subsequent to December 31, 1975. The retroactive capitalization amount at July 1, 2005, was based on historical cost, where applicable, and on estimated historical cost, where determining historical cost was not practical due to inadequate records. The depreciation amount was calculated using the straight-line method and a useful life of 30 years.

The following summarizes the restatement for infrastructure:

	Governmental Activities
Net assets – June 30, 2005, as previously reported	$ 882,201
Transportation bridges	13,289
Net assets – July 1, 2005, as restated	$ 895,490

Note 3: Cash And Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporation, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and bonds of the State of Arizona or any of its counties, cities, towns,

Note 3: Cash And Investments (continued)

or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk;

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.

2. Corporate bonds, debentures, and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.

3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2006, the carrying amount of the County's deposits was $27,113 and the bank balance was $37,291.

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2006, $783 of the County's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 700
Uninsured with collateral held by the bank's safekeeping department	83
Total	$ 783

Investments—At June 30, 2006, the County's investments consisted of $420,115 invested in marketable securities, $194,151 invested in the State Treasurer's Investment Pool, and $911 invested in a local government bond. Cash from the County and from external legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Note 3: Cash And Investments (continued)

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. At June 30, 2006, credit risk for the County's investments was as follows;

Investment Type	Rating	Rating Agency	Amount
Commercial paper	A1 - P1	S & P - Moody's	$ 22,894
Fannie Mae (Federal National Mortgage Association)	AAA - Aaa	S & P - Moody's	178,797
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA - Aaa	S & P - Moody's	59,436
Tri-party repurchase agreement	Unrated		158,988
State Treasurer's Investment Pool	Unrated		194,151
Local governments bonds	Unrated		911
Total			$ 615,177

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's $615,177 of investments, 100% of the commercial paper, Freddie Mac and Fannie Mae discount notes, and tri-party repurchase agreement totaling $420,115 are uninsured and held by the counterparty in the County's name.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. More than 5% of the County's investments were with the Bank of America (including the tri-party repurchase agreement and 87% of the commercial paper), Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments were 29%, 10% and 29% respectively, of total investments.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

As of June 30, 2006, the County had the following investments:

Investment Type	Amount	Weighted Average Maturity (Years)
State Treasurer's Investment Pool 5	$103,729	0.14
State Treasurer's Investment Pool 7	90,422	0.10
Commercial paper	22,894	0.09
Fannie Mae (Federal National Mortgage Association)	178,797	0.08
Freddie Mac (Federal Home Loan Mortgage Corporation)	59,436	0.09
Tri-party repurchase agreement	158,988	0.01
Local governments bonds	911	2.50
	$615,177	

Note 3: Cash And Investments (continued)

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows;

	Cash on hand	Amount of deposits	Amount of investments	Totals
Cash deposits and investments:	$ 80	$ 27,113	$ 615,177	$ 642,370

	Governmental Activities	Business-Type Activities	Investment Trust Funds	Agency Funds	Totals
Statement of Net Assets:					
Cash and cash equivalents	$ 262,933	$ 88,511	$ 236,494	$ 53,521	$ 641,459
Investments	911				911
Total	$ 263,844	$ 88,511	$ 236,494	$ 53,521	$ 642,370

County Treasurer's Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

The Pool's net assets consist of $178,797 of Fannie Mae, $158,988 of tri-party repurchase agreement, $59,436 of Freddie Mac, $35,306 of State Treasurer's Investment Pool, $22,894 of commercial paper, and $3,062 of cash and are subject to applicable risks as disclosed above.

A condensed statement of the Pool's net assets and changes in net assets follows:

Statement of Net Assets	
Net assets held in trust for:	
Internal participants	$ 312,411
External participants	146,072
Total Liabilities	0
Total net assets held in trust	$ 458,483
Statement of Changes in Net Assets	
Total additions	$ 4,974,430
Total deductions	(4,895,603)
Net increase	78,827
Net assets held in trust:	
July 1, 2005	379,656
June 30, 2006	$ 458,483

Discretely Presented Component Units

Southwestern Fair Commission—At June 30, 2006, the commission's cash and cash equivalents of $1,294 consisted of deposits with financial institutions. Of the total balance, $994 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4: Due from Other Governments

Governmental Activities

	General	Transportation Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:						
Grants and contributions	$ 357	$ 395	$ 535	$ 11,368	$ 1	$ 12,656
State of Arizona						
Taxes and shared revenues	23,125	8,875		717		32,717
Grants and contributions		100	257	1,969	5	2,331
City of Tucson						
Reimbursement for services	1,090		1,855	1,783		4,728
Due from other governments						
Reimbursement for services	297	71		158	88	614
Total due from other governments	$ 24,869	$ 9,441	$ 2,647	$ 15,995	$ 94	$ 53,046

Business-type Activities

	Pima Health System and Services	Wastewater Management	Total Business-type Activities
Federal government:			
Grants and contributions		$ 293	$ 293
State of Arizona			
Grants and contributions	$ 2,843		2,843
Total due from other governments	$ 2,843	$ 293	$ 3,136

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005 (as restated)	Increases	Decreases	Balance June 30, 2006
Governmental activities				
Capital assets not being depreciated:				
Land	$ 202,408	$ 20,546		$ 222,954
Construction in progress	117,118	80,508	$ (82,321)	115,305
Total capital assets not being depreciated	319,526	101,054	(82,321)	338,259
Capital assets being depreciated:				
Buildings and improvements	371,874	12,146		384,020
Infrastructure	812,700	76,951		889,651
Equipment	79,452	16,593	(2,821)	93,224
Total capital assets being depreciated	1,264,026	105,690	(2,821)	1,366,895
Less accumulated depreciation for:				
Buildings and improvements	(102,878)	(9,371)		(112,249)
Infrastructure	(364,756)	(27,225)		(391,981)
Equipment	(43,827)	(13,216)	2,453	(54,590)
Total accumulated depreciation	(511,461)	(49,812)	2,453	(558,820)
Total capital assets being depreciated, net	752,565	55,878	(368)	808,075
Governmental activities capital assets, net	$ 1,072,091	$ 156,932	$ (82,689)	$ 1,146,334

Note 5: Capital Assets (continued)

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Business-type activities				
Capital assets not being depreciated:				
Land	$ 14,259	$ 2,288	$ (7,841)	$ 8,706
Construction in progress	63,325	11,017	(59,500)	14,842
Total capital assets not being depreciated	77,584	13,305	(67,341)	23,548
Capital assets being depreciated:				
Buildings and improvements	294,265	62,298	(2,260)	354,303
Infrastructure	475,148	15,452		490,600
Equipment	20,932	1,819	(6,486)	16,265
Total capital assets being depreciated	790,345	79,569	(8,746)	861,168
Less accumulated depreciation for:				
Buildings and improvements	(105,346)	(9,831)	673	(114,504)
Infrastructure	(153,003)	(10,262)		(163,265)
Equipment	(13,042)	(999)	4,459	(9,582)
Total accumulated depreciation	(271,391)	(21,092)	5,132	(287,351)
Total capital assets being depreciated, net	518,954	58,477	(3,614)	573,817
Business-type activities capital assets, net	$ 596,538	$ 71,782	$ (70,955)	$ 597,365

The July 1, 2005, governmental activities capital asset balance was restated to include recognition of the bridges network general infrastructure assets, as explained in Note 2 to the financial statements. The increase to governmental activities capital assets include capital assets transferred from the Wastewater Management Enterprise Fund – Solid Waste division with acquisition costs of $16,185 and accumulated depreciation of $4,867.

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	$ 5,144
Public safety	8,974
Highway and streets	22,972
Sanitation	446
Health	1,444
Welfare	8
Culture and recreation	3,381
Education and economic opportunity	260
Internal service funds	2,316
Total governmental activities depreciation	$ 44,945
Business-type activities	
Pima Health System & Services	$ 218
Parking Garages	337
Wastewater Management	20,416
Development Services	121
Total business-type activities depreciation	$ 21,092

Note 5: Capital Assets (continued)

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Discretely presented component unit				
Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	$ 3,654	$ 56	$ (3)	$ 3,707
Equipment	1,492	122	(2)	1,612
Total capital assets being depreciated	5,146	178	(5)	5,319
Less accumulated depreciation for:				
Buildings and improvements	(2,092)	(111)	3	(2,200)
Equipment	(1,140)	(72)	2	(1,210)
Total accumulated depreciation	(3,232)	(183)	$ 5	(3,410)
Total capital assets being depreciated, net	1,914	(5)		1,909
SFC capital assets, net	$ 1,914	$ (5)		$ 1,909

Note 6: Claims, Judgments And Risk Management

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Solid Waste

The County has entered into settlement negotiations with Arizona Department of Environmental Quality (ADEQ) to resolve litigation associated with the cleanup of the Camino del Cerro landfill. Cleanup expenditures have been incurred and include a soil vapor extraction system, a series of drainage improvements, re-grade landfill cap and groundwater remediation. The liability is not presented within the financial statements because the outcome of the litigation is uncertain and the amount of the loss cannot be reasonably estimated.

Other

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

All funds of the County participate in the Fund. With the exception of environmental, unemployment and dental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and

Note 6: Claims, Judgments And Risk Management (continued)

current-year claims. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available. Payments for unemployment and dental losses are based on actual claims made. The claims liability of $35,508 reported in the Fund at June 30, 2006, is based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

	2006	2005
Claims liability balance—beginning	$30,273	$ 25,696
Current year claims and changes in estimates	12,185	12,925
Claims payments	(6,950)	(8,348)
Claims liability balance—ending	$35,508	$ 30,273

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2006.

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within 1 year
Governmental activities:					
General obligation bonds	$ 267,270		$ 35,960	$ 231,310	$ 32,335
Plus unamortized deferred amount	657		49	608	49
Total general obligation bonds	267,927		36,009	231,918	32,384
Flood control bonds	3,010		780	2,230	760
Transportation revenue bonds	137,545		10,710	126,835	11,435
Plus unamortized deferred amount	191		26	165	26
Total transportation revenue bonds	137,736		10,736	127,000	11,461
Special assessment bonds with governmental commitment	1,093		182	911	182
Loans and Leases:					
Transportation loans payable	1,943	$ 4,836	1,040	5,739	2,025
Capital leases payable:					
Jail capital lease	30,085		1,750	28,335	1,785
Less unamortized deferred amount	(2,297)		(191)	(2,106)	(192)
Other capital leases	91	231	125	197	97
Total capital leases	27,879	231	1,684	26,426	1,690
Total loans and leases	29,822	5,067	2,724	32,165	3,715
Reported but unpaid losses (Note 6)	20,842	11,872	6,950	25,764	5,507
Incurred but not reported losses (Note 6)	9,431	313		9,744	2,046
Landfill closure and post-closure care costs (Note 9)		16,268		16,268	
Total governmental activities long -term liabilities	$ 469,861	$ 33,520	$ 57,381	$ 446,000	$ 56,055

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 60,075		$ 4,550	$ 55,525	$ 5,570
Less unamortized deferred amount	(4,266)		(451)	(3,815)	
Total revenue bonds payable	55,809		4,099	51,710	5,570
Wastewater loans payable	84,232	$1,086	4,951	80,367	5,503
Less unamortized deferred amount	(254)		(35)	(219)	
Total loans payable	83,978	1,086	4,916	80,148	5,503
Landfill closure & post-closure care cost	15,636		15,636		
Contracts and notes	4,852	163	453	4,562	
Total business-type activities long-term liabilities	$ 160,275	$1,249	$ 25,104	$ 136,420	$11,073
Discretely presented component unit:					
Southwestern Fair Commission notes payable	$ 392		$ 148	$ 244	$ 104

GENERAL OBLIGATION BONDS OUTSTANDING
Governmental Activities
(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2006, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $3,069 from the November 2, 1982 bond election, $40,180 from the May 20, 1997, and $476,432 from the May 18, 2004 bond election remain unissued. On May 16, 2006 voters authorized $54,000 for building of psychiatric facilities, all of which remain unissued.

The following table presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series of 1998	$ 42,420	4.40 – 4.60%	2007-13	$ 18,795
Series of 1999	50,000	5.00 – 5.08%	2007-10	16,115
Series of 2000	50,000	4.00 – 5.00%	2007-14	26,000
Series of 2001 Refunding	17,835	4.50 – 5.00%	2007-09	7,610
Series of 2002	20,000	4.00 – 4.50%	2007-16	10,000
Series of 2003	50,000	3.25 – 4.25%	2007-17	40,350
Series of 2004	65,000	3.00 – 5.00%	2007-19	53,615
Series of 2005	65,000	3.50 – 5.00%	2007-20	58,825
G.O. bonds outstanding				231,310
Plus unamortized deferred amount:				608
Total G.O. bonds outstanding				$ 231,918

Note 7: Long-Term Liabilities (continued)

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 32,335	$ 10,028
2008	25,005	8,539
2009	20,260	7,417
2010	19,790	6,503
2011	17,190	5,616
2012-2016	77,880	16,740
2017-2020	38,850	2,988
Total	$ 231,310	$ 57,831

ADVANCED REFUNDINGS OF GENERAL OBLIGATION BONDS

In prior years, the County defeased certain General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for these defeased bonds are not included in the County's financial statements. At June 30, 2006, the following outstanding bonds were considered defeased:

	Outstanding June 30, 2006
1979 General Obligation Refunding Bonds	$ 1,930
Series of 1999	$ 5,785

FLOOD CONTROL REFUNDING BONDS OUTSTANDING
Governmental Activities
(Payments made from property tax revenues of the Debt Service Fund of the District)

The Pima County Regional Flood Control District outstanding bonds payable at June 30th is presented below.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series 2001 Refunding	$ 4,585	4.00 - 4.20%	2007-09	$ 2,230

The following schedule details flood control bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 760	91
2008	745	61
2009	725	30
Total	$2,230	$ 182

Note 7: Long-Term Liabilities (continued)

TRANSPORTATION BONDS
Governmental Activities
(Payments made from street and highway revenues)

Pima County transportation revenue bonds of 1998 were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, $168,800 from the November 4, 1997 bond election remains unissued.

	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series of 1998	$ 40,000	4.50%	2007-08	$ 8,000
Series of 2002	55,000	4.00 - 4.50%	2007-12	35,735
Series of 2003	35,000	3.38 - 4.38%	2007-18	31,900
Series of 2005	51,200	3.50 – 5.00%	2007-20	51,200
Transportation bonds outstanding				126,835
Plus unamortized deferred amount:				165
Total transportation bonds outstanding				$ 127,000

The following schedule details transportation bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 11,435	$ 5,257
2008	11,745	4,752
2009	11,465	4,276
2010	11,935	3,821
2011	12,450	3,302
2012-2016	41,225	9,975
2017-2020	26,580	2,294
Total	$ 126,835	$ 33,677

TRANSPORTATION LOANS PAYABLE
Governmental Activities

During the fiscal year ended June 30, 2002, and fiscal year ended June 30, 2006, Pima County Transportation Department entered into loan agreements to provide funds for the construction and improvement of certain highways and streets. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. Interest on the Alvernon HELP loan is calculated and paid on an annual basis.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
2002 HELP Loan – Ajo	$ 3,700	3.23%	2007	$ 703
2002 HELP Loan – Shannon	1,400	3.23%	2007	200
2006 HELP Loan – Alvernon	4,836	3.59%	2007-09	4,836
Total transportation loans payable				$ 5,739

Note 7: Long-Term Liabilities (continued)

The following schedule details transportation loans debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 2,025	$ 169
2008	2,714	114
2009	1,000	61
Total	$ 5,739	$ 344

SPECIAL ASSESSMENT BONDS OUTSTANDING
Governmental Activities
(Payments made from assessments received in the Debt Service Fund and the Transportation Fund)

At June 30, 2006, there was only one special assessment district with outstanding bonds. Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The proceeds of the bond issues were used to finance construction in the Improvement District.

Improvement District	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
La Cholla Boulevard	$ 1,821	6.50%	2007-11	$ 911
Total special assessment bonds outstanding				$ 911

The following schedule details special assessment bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 182	$ 53
2008	182	41
2009	182	30
2010	182	18
2011	183	6
Total	$ 911	$ 148

CAPITAL LEASES
Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for $34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for telephone and computer equipment. The outstanding balance as of June 30, 2006, for these leases totaled $197.

The net book value of assets acquired through capital leases consists of $20,091 of buildings and $260 of equipment.

Note 7: Long-Term Liabilities (continued)

The following schedule details capital lease debt service requirements to maturity at June 30, 2006.

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	Principal	Interest	Principal	Interest
2007	$ 1,785	$ 1,230	$ 97	$ 6
2008	1,870	1,139	80	2
2009	1,965	1,062	20	
2010	2,025	982		
2011	2,125	879		
2012-2016	12,810	2,624		
2017-2018	5,755	243		
Total	$ 28,335	$ 8,159	$ 197	$ 8

SEWER REVENUE BONDS
Business-type Activities
(Payments made from user charges received in the Wastewater Management Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's wastewater management system. Of the total amount originally authorized, $3,943 from the May 20, 1997, and $150,000 from the May 18, 2004 bond election remain unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series of 1998	$ 29,185	4.00 - 5.50%	2007-15	$ 17,655
Series 2001 Refunding	19,440	4.00 - 5.40%	2007-15	14,980
Series 2004 Refunding	25,770	2.63 - 5.50%	2007-15	22,890
Sewer revenue bonds outstanding				55,525
Less unamortized deferred amount:				(3,815)
Total sewer revenue bonds outstanding				$ 51,710

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 5,570	$ 2,573
2008	5,800	2,340
2009	6,025	2,098
2010	5,280	1,816
2011	5,515	1,588
2012-2015	27,335	3,452
Total	$55,525	$13,867

Note 7: Long-Term Liabilities (continued)

LOANS PAYABLE
Business-type Activities
(Payments made from user charges received in the Wastewater Management Enterprise Fund)

Wastewater Management (WWM) entered into loan agreements (1996, 1997, 2000 and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. For the 2004 loan payable, principal payments to maturity are subject to change based upon the total amounts drawn down.
During fiscal year 05/06 the 2004 WIFA loan was amended to a total of $19,967. Of that amount, as of June 30, 2006, WWM has drawn down $18,538.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
1996 Loan Payable	$11,313	3.19%	2006-12	$9,069
1997 Loan Payable	7,500	2.95%	2006-11	3,670
2000 Loan Payable	61,180	2.20%	2006-16	49,090
2004 Loan Payable	18,538	1.81%	2006-24	18,538
Loans payable				80,367
Less unamortized deferred amount				(219)
Total loans payable				$80,148

The following schedule details loans payable debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 5,503	$ 2,777
2008	5,722	2,586
2009	5,955	2,375
2010	6,317	2,153
2011	7,604	1,901
2012-2016	33,623	5,631
2017-2021	11,574	1,282
2022-2025	4,069	206
Total	$80,367	$18,911

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Wastewater Management Fund)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

Note 7: Long-Term Liabilities (continued)

NOTES PAYABLE
Component Unit - Southwestern Fair Commission (SFC)
(Payments made from user charges)

Southwestern Fair Commission has a note payable to Pima County, due in annual installments of $50, unsecured and non-interest bearing.

Description	Interest Rates	Maturities	Outstanding June 30, 2006
Pima County	None	Annual installments until June 2007	$50

Southwestern Fair Commission's other notes payable are due in monthly installments and are secured by equipment, inventory, and accounts receivable.

Description	Interest Rates	Maturities	Outstanding June 30, 2006
Bank	Prime with 4% floor	Monthly installments until July 2008	$149
Bank	Wall Street Journal interest rate	Monthly installments until July 2008	45
Total			$194

The following schedule details Southwestern Fair Commission's notes payable debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$104	$13
2008	53	9
2009	87	1
Total	$244	$23

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed six percent of the value of the County's taxable property as of the latest assessment. However, Pima County received voter approval to increase the debt limit to 15 percent of the value of taxable property. The legal debt margin at June 30, 2006, is as follows:

Net assessed valuation:		$6,050,950
Debt Limit (15% of net assessed valuation):		907,643
Amount of debt applicable to debt limit:		
General obligation bonds outstanding	$231,310	
Less net assets in debt service fund available for payment of general obligation bond principal	(5,571)	(225,739)
Legal debt margin available		$ 681,904

Note 7: Long-Term Liabilities (continued)

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed five percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2006, is as follows:

Net assessed valuation:		$5,323,433
Debt Limit (5% of net assessed valuation):		266,171
Amount of debt applicable to debt limit:		
Flood Control general obligation bonds outstanding	$2,230	
Less net assets in debt service fund available for payment of flood control bond principal	(24)	(2,206)
Legal debt margin available		$ 263,965

Note 8: Short-Term Debt

LINE OF CREDIT

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association to meet its short-term cash needs. At June 30, 2006, the County had an outstanding balance of $0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	July 1, 2005 Balance	Draws	Repayments	June 30, 2006 Balance
Line of credit	$0	$36,000	$36,000	$0

Note 9: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and postclosure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and postclosure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The $16,268 reported as landfill closure and postclosure care liability in the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of $6,675 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended June 30, 2006; actual costs may change due to inflation, changes in technology, or changes in regulations.

Note 9: Landfill Liabilities (continued)

Landfill Site	Capacity Used June 30, 2006	Estimated Remaining Service Life
Ajo *	100%	
Sahuarita **	43%	17 Years
Tangerine **	82%	3 Years

* Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion.

** The Sahuarita and Tangerine Landfill capacities were adjusted from 5,233,952 cu. yd. and 5,737,761 cu. yd. at June 30, 2005 to 4,932,103 cu. yd. and 6,484,362 cu. yd. at June 30, 2006, respectively. Concurrently, the estimated years of closure were adjusted to 2023 and 2009, respectively.

The County plans to fund the estimated closure and postclosure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

The Ina Road Landfill facility is closed to municipal solid waste and only receives construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately $9,011 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

Note 10: Retirement Plans

Plan Descriptions

The County contributes to the Arizona State Retirement System **(ASRS),** the Corrections Officer Retirement Plan **(CORP),** the Public Safety Personnel Retirement System **(PSPRS),** consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan **(EORP).** The **EORP** and the **PSPRS** - Pima County, County Attorney Investigators, are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The **PSPRS** is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS**, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 209 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona's Department of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and 19 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Note 10: Retirement Plans (continued)

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the applicable plan.

ASRS

3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85012-0250
(602) 240-2000 or
(800) 621-3778

PSPRS and CORP

3010 East Camelback Road
Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-sharing plans For the year ended June 30, 2006, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 7.40 percent (6.90 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The County's contributions to **ASRS** for the years ended June 30, 2006, 2005 and 2004 were $17,551, $12,602 and $13,231 respectively, which were equal to the required contributions for the applicable year.

Agent plans For the year ended June 30, 2006, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 13.71 percent. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. Active **CORP** members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 6.59 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2006, and related information follow:

	PSPRS	**CORP**
Contribution rates:		
County	17.36%	6.59%
Plan members	4.00%	8.50%
Annual pension cost	$ 4,720	$ 1,088
Contributions made	$ 4,720	$ 1,088
Actuarial valuation date	June 30, 2004	June 30, 2004
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	8.75%	8.75%
Projected salary increases	6.25% - 9.25%	5.25% - 9.25%
includes inflation at	5.25%	5.25%
Amortization method	Level percent open	Level percent open
Remaining amortization period	20 years	20 years
Asset valuation method	smoothed market	smoothed market

Note 10: Retirement Plans (continued)

Trend Information: Information for each of the three most recent actuarial valuations for each of the agent plans follows:

Contributions Required and Contributions Made

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2006	$ 4,720	100%	$ -
	2005	3,325	100%	-
	2004	2,694	100%	-
CORP	2006	$ 1,088	100%	$ -
	2005	782	100%	-
	2004	632	100%	-

Note 11: Segment Information

The Wastewater Management Enterprise Fund operates the sewer system, which provides wastewater collection, treatment, and disposal throughout Pima County. All revenues generated by the ownership, use, and operation of Pima County's sewer system are pledged in support of sewer system debt. In addition, debt covenants require sewer system revenues, expenses, gains, losses, assets and liabilities to be accounted for separately. As a result, condensed financial information for the Fund is presented in the following table.

CONDENSED STATEMENT OF NET ASSETS

	Wastewater Management Liquid Waste
Assets:	
Current assets	$ 68,668
Due from other funds	1
Capital assets, net	587,954
Other non-current assets	1,243
Total assets	657,866
Liabilities:	
Current liabilities	26,679
Due to other funds	177
Non-current liabilities	125,347
Total liabilities	152,203
Net assets:	
Invested in capital assets, net of related debt	456,846
Restricted	4,794
Unrestricted	44,023
Total net assets	$ 505,663

Note 11: Segment Information (continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

	Wastewater Management Liquid Waste
Operating revenues/(expenses):	
Charges for services	$ 62,274
Depreciation expense	(20,416)
Other operating expenses	(56,902)
Operating loss	(15,044)
Non-operating revenues/(expenses):	
Sewer connection revenue	42,220
Other non-operating revenues	3,220
Interest expense	(4,624)
Loss on disposal of capital assets	(20)
Other non-operating expenses	(97)
Capital contributions	14,607
Transfers out to other county funds	(22)
Change in net assets	40,240
Beginning net assets	465,423
Ending net assets	$ 505,663

CONDENSED STATEMENT OF CASH FLOWS

Net cash provide by:	
Operating activities	$ 4,582
Non-capital financing activities	625
Capital and related financing activities	15,356
Investing activities	1,862
Net increase	22,425
Beginning cash and cash equivalents	35,000
Ending cash and cash equivalents	$ 57,425

Note 12: Interfund Transactions

Interfund Assets/Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due from:

Amounts recorded as due to:	General	Transportation	Capital Projects	Other Governmental	PHS & Services	Wastewater Management	Internal Service	Total
General			$ 22	$ 919	$ 1		$ 310	$ 1,252
Transportation	81							$ 81
Capital Projects	$ 63	$ 48						111
Other Governmental	2,832			38			70	2,940
Pima Health System & Services	1,657							1,657
Wastewater Management	29		124	23			1	177
Other Enterprise	4			2		$ 1		7
Internal Service	3			99				102
Total	$ 4,669	$ 48	$ 146	$ 1,081	$ 1	$ 1	$ 381	$ 6,327

Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	General	Transportation	Other Governmental	Wastewater Management	Total
General		$ 130	$ 3,433		$ 3,563
Transportation				$ 22	22
Capital Projects		7,000	10,529		17,529
Other Governmental	$ 15,580	17,787	1,178	4,289	38,834
Internal Service	626				626
Total	$ 16,206	$ 24,917	$ 15,140	$ 4,311	$ 60,574

The table above does not include transfers of capital assets and long-term liabilities from proprietary funds to governmental activities because these transfers are not reported in the governmental funds. During the year, the County reclassified the Solid Waste Division of the Wastewater Management Enterprise Fund to the Solid Waste Special Revenue Fund reported within the governmental funds. This resulted in a net transfer in to the Wastewater Management Enterprise Fund of $156, consisting of the following:

Net current assets and liabilities transfer to other governmental funds	$ (4,289)
Capital assets transfer to governmental activities	(11,335)
Long-term liabilities transfer to governmental activities	15,780
Total net transfer in to Wastewater Management Enterprise Fund	$ 156

Note 13: Construction and Other Significant Commitments

At June 30, 2006, Pima County had the following major contractual commitments related to Facilities Management, General Government, Pima Health Systems and Services, Transportation and Wastewater Management.

Facilities Management
At June 30, 2006, the Pima County Facilities Management Department had construction contractual commitments of $4,143. Funding for these expenditures will be provided from general obligation bonds.

General Government
At June 30, 2006, Pima County had contractual commitments related to service contracts for Human Resources of $45,530, Institutional Health of $105,859 and Risk Management of $1,161. Funding for these expenditures will be primarily provided from general fund revenues.

Pima Health Systems and Services
At June 30, 2006, Pima County had contractual commitments related to service contracts for Pima Health Systems & Services of $119,146. Funding for these expenditures will be primarily provided from federal and state funding sources.

Transportation
At June 30, 2006, the Pima County Transportation Department had construction contractual commitments of $21,263 and other contractual commitments related to service contracts of $7,871. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

Wastewater Management
At June 30, 2006, the Wastewater Management Enterprise fund had contractual commitments related to service contracts of $8,306.

Operating Leases
The County enters into operating leases for various equipment and office space. These leases are entered into with the provision that they may be canceled at the end of each fiscal year if future funding is not provided. Accordingly, these leases totaled $3,550 for the year ended June 30, 2006.

Note 14: Stewardship, Compliance, and Accountability (Deficit Fund Balances)

The Special Revenue Grants fund (a non-major governmental fund) had a deficit fund balance at June 30, 2006, of $260. This deficit can be eliminated in the future through normal operations.

Note 15: Non-cancelable Operating Leases

The County leases buildings and equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. The County rental expenditures under the terms of the non-cancelable operating leases were $139 for the year ended June 30, 2006. These leases have remaining terms of 4 to 9 years and provide renewal options. The future minimum payments required under these leases at June 30, 2006 are as follows.

		Governmental Activities
Year ending June 30,		
	2007	$ 142
	2008	142
	2009	142
	2010	142
	2011	113
	2012-2015	379
Total minimum lease payments		$ 1,060

Note 16: Subsequent Events

On July 1, 2006, the Pima County Free Library District (District) assumed the operations of library services, previously provided by the City of Tucson, in accordance with an intergovernmental agreement (IGA) with the City of Tucson (City). Under the IGA the City will provide transitional assistance to the District in the amount of $6,000, $4,000 and $2,000 for fiscal years ending June 30, 2007, 2008 and 2009 respectively. Subsequent to June 30, 2009, the City will provide no additional assistance.

Effective July 1, 2006, City library personnel became District employees with equivalent pay and benefits. Two of the library branch properties will be conveyed to the District with the remaining properties being leased at no cost for 50 years.

The Pima County Board of Supervisors approved an increase in tax revenues to the District, effective in fiscal year 2006-07.

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX G "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, SPECIAL COUNSEL, THE UNDERWRITER OR THE UNDERWRITER'S COUNSEL AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC, New York, New York, will act as securities depository for the 2007 Certificates. The 2007 Certificates 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 2007 Certificate will be issued for each maturity of the 2007 Certificates, each in the aggregate the principal amount of such maturity, and will be deposited with DTC. The owners of book-entry interests will not receive or have the right to receive physical delivery of 2007 Certificates.

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, as amended. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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, "Participants"). DTC has Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of 2007 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Certificates on DTC's records. The ownership interest of each actual purchaser of a 2007 Certificate ("Beneficial Owner") is in turn to be recorded on the 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 Certificates are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2007 Certificates, except in the event that use of the book-entry-only system for the 2007 Certificates is discontinued.

To facilitate subsequent transfers, all 2007 Certificates 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 2007 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Certificates; DTC's records reflect only the identity of the Direct

Participants to whose accounts such 2007 Certificates are credited, which may or may not be the Beneficial Owners. The Direct Participants 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 2007 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2007 Certificates such as redemptions, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of 2007 Certificates may wish to ascertain that the nominee holding the 2007 Certificates 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 Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2007 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2007 Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 the 2007 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2007 Certificates 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 Trustee on the 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 Board, the University or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2007 Certificates at any time by giving reasonable notice to the Board and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2007 Certificates are required to be printed and delivered. The Board or the Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2007 Certificates will be printed and delivered to DTC.

THE BOARD AND THE UNIVERSITY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2007 CERTIFICATES UNDER THE BOND RESOLUTION; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2007 CERTIFICATES; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2007 CERTIFICATES; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2007 CERTIFICATES; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered Owner of the 2007 Certificates, as nominee for DTC, references herein to "Owner" or registered owners of the 2007 Certificates (other than under the captions "TAX EXEMPTION," "AMORTIZABLE PREMIUM" and "ORIGINAL ISSUE DISCOUNT") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2007 Certificates.

When reference is made herein to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Board or the Trustee to DTC only.

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APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

SPECIMEN

OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY-ONLY **RATINGS: See "Ratings" herein**

In the opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, the portion of the Lease Payments paid and denominated as interest under the Lease and received by the owners of the related 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the 2007-A Interest Portion is exempt from Arizona state income tax. Special Counsel expresses no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2007 Certificates in the event of termination of the Lease by nonappropriation. The 2007-A Interest Portion may be subject to certain federal taxes imposed only on certain corporations, including the alternative minimum tax on a portion of the 2007-A Interest Portion. Special Counsel will express no opinion with respect to the exclusion of interest relating to the 2007-B Certificates. For a more complete discussion of tax aspects, see "TAX MATTERS" herein.

$28,765,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2007-A

$1,555,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
TAXABLE SERIES 2007-B

Dated: May 1, 2007 **Due: July 1, as shown on inside front cover**

The securities being offered hereby consist of Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates") in a Lease-Purchase Agreement, dated as of May 1, 2007* (the "Lease"), between U.S. Bank National Association, as trustee under the below described Trust Agreement, as lessor, and Pima County, Arizona, as lessee (the "County"). The 2007 Certificates are being executed and delivered under a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement") between U.S. Bank National Association, as trustee (the "Trustee"), and the County. Initially, the 2007 Certificates will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2007 Certificates. Purchases of beneficial interest in the 2007 Certificates will be made in book-entry-only form in amounts of $5,000 of principal maturing on a specified date or any integral multiple thereof. Purchasers will not receive certificates representing the ownership interest in the 2007 Certificates purchased by them. See Appendix G – "BOOK-ENTRY-ONLY SYSTEM."

Interest with respect to the 2007 Certificates is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2008, until maturity or prior redemption, and principal with respect to the 2007 Certificates is payable annually in accordance with the schedules set forth on the inside front cover. So long as the 2007 Certificates are registered in the name of DTC, or its nominee, payments of the principal and interest with respect to the 2007 Certificates will be made directly by the Trustee to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the 2007 Certificates, as described herein.

The 2007 Certificates are subject to optional and extraordinary redemption prior to maturity as more fully described herein. See "THE 2007 CERTIFICATES--Redemption Provisions" herein.

The 2007 Certificates are being executed and delivered to (i) acquire and make improvements to an existing office tower and underlying site, located in the City of Tucson, Arizona, for use primarily by criminal justice personnel of the County (the "Leased Property") and acquire and construct replacement facilities for the County's Community Services Department on a site owned by the County and located in the City of South Tucson, Arizona, which is **not** part of the Leased Property, and (ii) pay costs associated with the execution and delivery of the 2007 Certificates. See "PLAN OF FINANCE" herein.

The 2007 Certificates evidence and represent undivided and proportionate interests of the registered Owners thereof in semiannual lease payments (the "Lease Payments") to be made by the County pursuant to the Lease. **The obligations of the County under the Lease are payable exclusively from annually appropriated funds and are not a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each fiscal year, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. Upon such termination, there is no assurance of payment of the principal or interest represented by the Certificates, including the 2007 Certificates, from funds available under the Trust Agreement as a result of the Trustee's re-leasing of the Leased Property.** See "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES" and "SECURITY FOR THE 2007 CERTIFICATES" herein.

The 2007 Certificates are payable solely from Lease Payments required to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make Lease Payments under the Lease is not secured by a pledge of any funds, does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation nor constitute a general obligation of the County nor an indebtedness of the County, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Payment of the principal and interest represented by the 2007 Certificates, when due, will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2007 Certificates.

Ambac

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2007 Certificates are offered when, as and if certain conditions are satisfied and subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel. Certain legal matters will be passed upon solely for the benefit of the Underwriter by its counsel, Greenberg Traurig, LLP. It is expected that the 2007 Certificates will be available for delivery through the facilities of DTC, on or about May 1, 2007.

RBC CAPITAL MARKETS

April 18, 2007

$28,765,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by PIMA COUNTY, ARIZONA
SERIES 2007-A

Maturity Schedule

Maturity (July 1)	Principal Amount	Interest Rate	Yield
2009	$1,235,000	4.00%	3.68%
2010	1,610,000	4.00%	3.71%
2011	1,675,000	4.00%	3.75%
2012	1,740,000	4.00%	3.83%
2013	1,810,000	4.25%	3.88%
2014	1,890,000	4.25%	3.92%
2015	1,970,000	5.00%	3.95%
2016	2,065,000	5.00%	4.01%
2017	2,170,000	5.00%	4.06%
2018	2,280,000	5.00%	4.13%*
2019	2,395,000	5.00%	4.16%*
2020	2,515,000	5.00%	4.19%*
2021	2,640,000	5.00%	4.22%*
2022	2,770,000	5.00%	4.25%*

*Yield to July 1, 2017, the earliest optional redemption date.

$1,555,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by PIMA COUNTY, ARIZONA
TAXABLE SERIES 2007-B

Maturity Schedule

Maturity (July 1)	Principal Amount	Interest Rate	Yield
2008	$1,245,000	5.22%	5.22%
2009	310,000	5.04%	5.04%

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS

Richard Elías, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C.H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

SPECIAL COUNSEL

Squire, Sanders & Dempsey L.L.P.
Phoenix, Arizona

TRUSTEE

U.S. Bank National Association
Phoenix, Arizona

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offering of any security other than the original offering of the 2007 Certificates identified on the cover hereof. No person has been authorized by Pima County, Arizona (the "County") to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. 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 hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The issuance and sale of the 2007 Certificates have not been registered under the Federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the issuance and sale of the 2007 Certificates been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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 over allot or engage in transactions intended to stabilize the prices of the 2007 Certificates 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 County has undertaken to provide continuing disclosure with respect to the 2007 Certificates as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING SECONDARY MARKET DISCLOSURE" and Appendix E – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" 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.

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Appendix A: Pima County, Arizona -- Demographic and Economic Information

Appendix B: Pima County, Arizona -- Financial Information

Appendix C: Summary of Legal Documents

Appendix D: Form of Approving Legal Opinion

Appendix E: Form of Continuing Disclosure Undertaking

Appendix F: Audited Financial Statements For Pima County For The Fiscal Year Ended June 30, 2006

Appendix G: Book-Entry-Only System

Appendix H: Specimen Financial Guaranty Insurance Policy

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$28,765,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2007-A

$1,555,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
TAXABLE SERIES 2007-B

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and Appendices hereto (the "Official Statement"), has been prepared by Pima County, Arizona (the "County"), in connection with the original execution, delivery and sale of $28,765,000 Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and $1,555,000 Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates").

Certain capitalized terms used herein but not defined elsewhere are defined under "SUMMARY OF LEGAL DOCUMENTS – Certain Definitions" in Appendix C hereto.

The 2007 Certificates evidence and represent undivided and proportionate interests of the registered owners thereof in semiannual lease payments (the "Lease Payments") to be made by the County pursuant to a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease"), between U.S. Bank National Association, as trustee under the below-described Trust Agreement, as lessor, and Pima County, Arizona, as lessee (the "County"). The 2007 Certificates are being executed and delivered under a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between U.S. Bank National Association, as trustee (the "Trustee"), and the County.

The 2007 Certificates are being executed and delivered to (i) acquire and improve an existing office tower and underlying site (together, the "Existing Facility"), located in the City of Tucson, Arizona, for use primarily by criminal justice personnel of the County (collectively, the "Leased Property") and acquire and construct replacement facilities for the County's Community Services Department on a site owned by the County and located in the City of South Tucson, Arizona (the "Community Services Department Facilities"), which are not part of the Leased Property, and (ii) pay costs associated with the execution and delivery of the 2007 Certificates. Upon delivery of the 2007 Certificates, title to the Existing Facility will be acquired by the Trustee and simultaneously conveyed to the County, subject to the Trustee's retention and the County's grant of a ground leasehold interest in the Existing Facility pursuant to a Ground Lease, dated as of May 1, 2007 (the "Ground Lease"), between the County and the Trustee. Pursuant to the Lease, the Trustee will lease back to the County the Existing Facility and agree to cause certain improvements to be made to such property (the "Improvements") with proceeds of the 2007 Certificates. See "PLAN OF FINANCE" herein.

The obligations of the County under the Lease are payable exclusively from annually appropriated funds and are not a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each fiscal year of the County, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. The Lease will also terminate upon the occurrence of an Event of Default thereunder by the County and the election of the Trustee to terminate the Term of the Lease and upon taking of all the Leased Property by eminent domain. In the event of any such termination, there is no assurance of payment of the principal or interest represented by the Certificates, including the 2007 Certificates, from funds available under the Trust Agreement or as a result of the Trustee's re-leasing of the Leased Property. See "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES" and "SECURITY FOR THE 2007 CERTIFICATES" herein.

The 2007 Certificates are payable solely from Lease Payments required to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make Lease Payments under the Lease is not secured by a pledge of any funds, does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation and does not constitute a general obligation of the County, or an indebtedness of the County, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Under the Lease, the County is required to pay base rent comprising the Lease Payments equal to the principal and interest requirements represented by the outstanding 2007 Certificates, unless the Lease is terminated as provided therein. Such base rent will be held in trust by the Trustee only for payment to the registered Owners (as defined herein) of the 2007 Certificates. The County is also required to pay additional rent under the Lease, which includes payment of any taxes and assessments and the cost of maintenance and repair of the Leased Property and to pay other fees and obligations. See "SUMMARY OF LEGAL DOCUMENTS – Lease" in Appendix C hereto.

Unless and until discontinued, the 2007 Certificates will be held in book-entry form by The Depository Trust Company, a registered securities depository ("DTC"), and beneficial interests therein may only be purchased and sold, and payments of principal and interest represented by the 2007 Certificates will be made only to beneficial owners, through participants in the DTC system. Beneficial interests in the 2007 Certificates will be in denominations described on the cover page hereof. See Appendix G – "BOOK-ENTRY-ONLY SYSTEM".

Ambac Assurance Corporation (the "Insurer" or "Ambac") has committed to issue, effective as of the date of original delivery of the 2007 Certificates, its financial guaranty insurance policy (the "Policy") insuring the scheduled payment of principal and interest represented by the 2007 Certificates when due. See "CERTIFICATE INSURANCE." A specimen of the form of the Policy is included in this Official Statement as Appendix H.

The Insurer will have the right to consent on behalf of Owners of the Series 2007 Obligations to certain amendments to the Lease and the Trust Agreement without notice to or consent of such Owners. The Insurer will also have the right to control the exercise of remedies under the Lease and the Trust Agreement and to direct and control the acceleration of the 2007 Certificates.

Lease Payments are subject to reduction to the extent of any Prepayments of Lease Payments made with insurance or condemnation proceeds as a result of damage, destruction or condemnation of a portion of the Leased Property, which causes substantial interference with the County's use of the Leased Property; provided that the revised Lease Payments shall be sufficient to pay principal and interest represented by the Certificates remaining Outstanding after the application of the Net Proceeds of the insurance or self-insurance coverage or condemnation award to redeem a portion of the 2007 Certificates. See "LEASE – Lease Payments; Additional Rent; Reduction of Rental" in Appendix C hereto. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property in amounts required by the Lease. Proceeds from such self-insurance program and such condemnation awards will be applied either to repair or replace the Leased Property or to prepay all or a portion of the 2007 Certificates. See "DESCRIPTION OF THE 2007 CERTIFICATES – Redemption Provisions – Extraordinary" herein and "LEASE—Insurance" in Appendix C hereto.

This Official Statement contains descriptions of the 2007 Certificates, the Trust Agreement, the Ground Lease, the Project Agreement and the Lease. The descriptions of the 2007 Certificates, the Trust Agreement, the Ground Lease, the Project Agreement and the Lease and other documents described in this Official Statement (collectively, the "Financing Documents") do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the complete documents, copies of which are available from RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets (the "Underwriter") prior to the delivery of the 2007 Certificates.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No

representation is made that past experience, as shown by the financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes ("A.R.S.") or uncodified, or of the Arizona Constitution, are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

DESCRIPTION OF THE 2007 CERTIFICATES

General Provisions

The 2007 Certificates will be dated as of May 1, 2007 and will mature on the dates and in the principal amounts and represent interest at the respective per annum rates for each series, all as set forth on the inside front cover of this Official Statement. Interest represented by the 2007 Certificates will accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their dated date. Interest will be computed on the basis of a 360-day year of twelve 30-day months and payable on each January 1 and July 1, commencing on January 1, 2008 (each an "Interest Payment Date").

The 2007 Certificates will be delivered in the form of fully registered certificates without coupons registered in the name of Cede & Co. as registered Owner and nominee for DTC. The Trustee shall treat Cede & Co., as the registered Owner, as the absolute owner of the 2007 Certificates for all purposes, including making payments and sending notices.

So long as Cede & Co. is the registered Owner of the 2007 Certificates, as nominee for DTC, references herein to "Owners" or registered owners of the 2007 Certificates (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of such 2007 Certificates. When reference is made to any action which is required or permitted to be taken by the beneficial owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such beneficial owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

Subject to the provisions summarized in Appendix G - "BOOK-ENTRY-ONLY SYSTEM," the principal represented by each 2007 Certificate will be payable at the designated office of the Trustee. Interest represented by each 2007 Certificate will be paid on each Interest Payment Date by check drawn on the Trustee mailed on or before the Interest Payment Date to the registered owners as shown on the records of the Trustee as of the fifteenth day of the month immediately preceding such Interest Payment Date or, if such a day is not a business day, on the next succeeding business day or the Trustee may agree with a registered Owner of $1,000,000 or more in aggregate principal amount of the 2007 Certificates for another form of payment.

Redemption Provisions

Optional. The 2007-A Certificates maturing on and prior to July 1, 2017 will not be subject to optional redemption prior to maturity. The 2007-A Certificates maturing on and after July 1, 2018 will be subject to optional redemption prior to maturity at the direction of the County, on any date on or after July 1, 2017 in whole or in part from maturities selected by the County and by lot within any maturity, at a redemption price equal to the principal amount thereof, plus interest accrued to the redemption date, without premium.

The 2007-B Certificates will not be subject to optional redemption prior to maturity.

Extraordinary. The 2007 Certificates of each series will be subject to redemption on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds of insurance or condemnation that are deposited in the Lease Payment Fund for such purpose as provided under the Lease (see "LEASE – Insurance" and "—Eminent Domain" in Appendix C hereto), at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date.

Selection of Certificates. Whenever less than all Outstanding 2007 Certificates are called for redemption, the series and maturities of the 2007 Certificates to be selected for redemption may be specified by the County or, if the County does not so specify, will be determined by the Trustee by lot, and within any maturity will be selected by lot or in such other manner as the Trustee shall deem fair.

Notice of and Procedure for Redemption

In the event any 2007 Certificates are called for redemption, notice thereof identifying the 2007 Certificates to be redeemed and specifying a redemption date and the redemption price are required to be given by the Trustee in the form of a redemption notice to DTC not less than 30 nor more than 60 days prior to the date fixed for redemption. See Appendix G – "Book-Entry-Only System."

All of the 2007 Certificates so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and will no longer be protected by and will not be deemed to be Outstanding under the provisions of the Trust Agreement.

Defeasance

If the County (i) pays the principal, interest and redemption premium, if any, of all Outstanding 2007 Certificates when the same becomes due and payable, or (ii) at or before maturity of all Outstanding 2007 Certificates, deposits money or Defeasance Obligations with the Trustee which, together with other available funds, are sufficient to pay the principal, interest and redemption premium, if any, of all Outstanding 2007 Certificates and any Additional Rent, the lien of the Trust Agreement and all covenants, agreements and obligations of the County and the Trustee securing or pertaining to the 2007 Certificates shall terminate, except for the obligation of the Trustee to make payment on the 2007 Certificates. (See "TRUST AGREEMENT – Defeasance" in Appendix C hereto.)

PLAN OF FINANCE

General

Substantially all of the proceeds from the sale of the 2007 Certificates will be deposited into the Project Fund held by the Trustee. The Trustee will immediately use approximately $24,900,000 of amounts in the Project Fund to acquire title to the portions of the Leased Property constituting the Existing Facility and underlying site, and will simultaneously convey title to such property to the County, retaining a ground leasehold interest in such property under the Ground Lease. Pursuant to the Ground Lease, the Existing Facility will be leased to the Trustee through July 1, 2022, with no further ground lease payments due from the Trustee for such leasehold interest. The Trustee also agrees to pay from proceeds of the 2007 Certificates the costs of making certain improvements to the Existing Facility (the "Improvements") under a Project Agreement, dated as of May 1, 2007 (the "Project Agreement. Pursuant to the Lease, the Trustee will lease back to the County the Existing Facility, together with the Improvements (collectively, the "Leased Property"), which does **not** include the Community Services Department Facilities. Approximately $4,630,000 of amounts in the Project Fund are expected to pay or to reimburse the County for costs of making the Improvements and approximately $1,500,000 of such amounts are expected to pay or to reimburse the County for costs of acquiring and constructing the Community Services Department Facilities, in each case disbursed upon requisition by the County for such costs or reimbursement.

The balance of the net proceeds received from the sale of the 2007 Certificates will be deposited in the Delivery Costs Fund and used to pay costs related to the execution and delivery of the 2007 Certificates.

The Leased Property

The Existing Facility. The Existing Facility consists of a 22-story office tower containing approximately 193,000 square feet of space, situated on a site of approximately 0.91 acres or 39,699 square feet, located in downtown Tucson, Arizona. The Existing Facility, originally constructed in 1975 and known as the "Bank of America Plaza," is currently occupied by various commercial and business tenants, including a bank branch, telecommunications companies, law firms and individual attorneys and street-level restaurants and retail stores. In addition, communications antennae are located on the roof of the tower with related equipment closets in the

basement, under leases or license agreements. The building contains 32 on-site parking spaces and has a 50-year lease for 200 parking spaces in a City of Tucson-owned garage located within one block from the building.

The County is financing the acquisition of the Existing Facility and making the Improvements in order to relocate to a central location various criminal justice personnel of the County, including portions of the public defenders' office, probation services and other related departments. The Existing Facility in located across the street from the County's 22-story Legal Services Building and also across the street from the County's Superior Courts complex and Justice Courts. The County intends to begin moving employees into the Existing Facility immediately following execution and delivery of the 2007 Certificates, and while work on the Improvements is being completed. The County has expressed an immediate need for all space in the entire Existing Facility and, as space becomes available through expiration or early termination of leases by current tenants, plans to terminate its leases on space elsewhere and move additional personnel into the Leased Property as soon as the vacated space can be reconfigured and remodeled for County use. To the extent that they are compatible with the County's use of the Leased Property and do not adversely affect the tax-exempt status of the interest portion of Lease Payments relating to the 2007-A Certificates, the County may seek to retain street-level restaurant and retail stores and communications antennae on the roof of the Leased Property.

The Improvements. Upon occupying the Existing Facility, the County expects to make the Improvements so that the Existing Facility is better suited to County use needs. The Improvements include new chillers for the utility system, upgraded elevators in the building, telecommunications systems linking the building into the County's computer and telephone system, and remodeling to accommodate County office use. The estimated cost of the Improvements is $4,630,000, all of which will be financed with proceeds of the 2007 Certificates.

Insurance. The County is required in the Lease to purchase and maintain property insurance or self-insurance on the Leased Property in amounts not less than the full replacement cost of the Leased Property. The Lease requires that in the event of damage or destruction of the Leased Property, insurance or self-insurance proceeds will be applied to the replacement of the Leased Property or, in certain circumstances, for the extraordinary redemption of all or a portion of the Certificates. See "LEASE – Insurance" in Appendix C hereto.

Re-Lease upon Termination. In the event that the Lease is terminated, the Trustee is authorized to re-lease the Leased Property and to apply the proceeds therefrom toward the payment of the Certificates, including the 2007 Certificates

The Community Services Department Facilities

The Community Services Department Facilities will consist of acquisition and construction of a 9,000 square-foot, one-story building on a 1.3-acre site currently owned by the County and located in the City of South Tucson, Arizona. The facilities will be used to provide employment training and placement for the homeless. The new facility will replace other County facilities currently providing such services. The estimated cost of the Community Services Department Facilities is $1,500,000, all of which will be financed with proceeds of the 2007 Certificates. **The Community Services Department Facilities are not part of the Leased Property.**

Sources for Lease Payments

Although no specific revenue sources are pledged to or secure the 2007 Certificates, the County intends to utilize monies it receives from various sources as all or part of the funds used to pay the Lease Payments under the Lease, including rental income from private tenants currently in the Existing Facility. As the leases with such tenants expire and the current tenants move out, the County intends to use County General Fund monies it has been using to rent other office space in downtown Tucson from private landlords as all or part of the funds used to make Lease Payments. The County intends that any remaining funds necessary to make Lease Payments would be paid from General Fund monies.

SOURCES OF PAYMENT OF THE 2007 CERTIFICATES

Under the terms of the Trust Agreement, the 2007 Certificates are payable on a parity with any Additional Certificates executed and delivered pursuant to the Trust Agreement, solely from: (1) Lease Payments received by the Trustee from the County under the Lease, subject to termination of the Lease as provided under the Lease (see "SECURITY FOR THE 2007 CERTIFICATES"), (2) amounts from time to time deposited in the funds created under the Trust Agreement and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States in order to continue the exclusion of the interest represented by the 2007-A Certificates from gross income for federal income tax purposes) and (3) any Net Proceeds from insurance coverage or condemnation awards received by the Trustee from the damage, destruction or taking of the Leased Property or portion thereof pursuant to the Lease and the Trust Agreement or from exercise by the Trustee of any remedies under the Lease and the Trust Agreement upon default thereunder. See "LEASE -- Events of Default", "-- Eminent Domain" and "—Insurance" and "TRUST AGREEMENT -- Events of Default; Acceleration" in Appendix C hereto. Additionally, payments with respect to the 2007 Certificates will be secured pursuant to the financial guaranty insurance policy to be issued by the Insurer. See "CERTIFICATE INSURANCE."

The County is required under the Lease to make base Lease Payments semiannually in amounts sufficient to make interest and principal payments represented by the 2007 Certificates on December 15, 2007 and each June 15 and December 15 thereafter. The County's obligation under the Lease to pay Lease Payments during the term of the Lease is absolute and unconditional, but subject to (1) the County's right each year to terminate the Lease as of the end of each Fiscal Year by failing to budget and appropriate the full amount necessary to make all Lease Payments come due in the next Fiscal Year, (2) reduction of Lease Payments in the event of damage, destruction or condemnation of any portion of the Leased Property, and (3) termination of the Lease upon taking of all of the Leased Property by eminent domain, all as described below under "SECURITY FOR THE 2007 CERTIFICATES" and under "LEASE -- Lease of Leased Property" and "-- Lease Payments; Additional Rent; Reduction of Rental" in Appendix C hereto.

IN THE EVENT OF TERMINATION OF OR DEFAULTS UNDER THE LEASE, THERE IS NO ASSURANCE THAT THE TRUSTEE WILL HAVE ADEQUATE FUNDS UNDER THE TRUST AGREEMENT TO PAY INTEREST AND PRINCIPAL REPRESENTED BY THE CERTIFICATES, INCLUDING THE 2007 CERTIFICATES. See "RISK FACTORS -- Limitation on Remedies."

The source of payment by the County of the base Lease Payments will be monies in the County's General Fund which are available for such purpose pursuant to annual appropriation by the Board of Supervisors. See "PLAN OF FINANCE" and "SECURITY FOR THE 2007 CERTIFICATES."

SECURITY FOR THE 2007 CERTIFICATES

General

Each 2007 Certificate evidences an undivided and proportionate interest in Lease Payments under the Lease. The County's obligations to make Lease Payments and any other obligation under the Lease are subject to and dependent upon an annual budgeting and appropriation being made by the County to make such Lease Payments. The term of the Lease commenced on the date thereof, as amended, will continue through and including July 1, 2022, unless terminated prior thereto. If the County does not budget and appropriate funds sufficient to pay Lease Payments in any succeeding Fiscal Year, the Lease will terminate as of the last day of the Fiscal Year for which Lease Payments were made and the County is required to vacate and return possession of the Leased Property to the Trustee, all in accordance with and subject to the terms of the Lease and the Trust Agreement. See "SECURITY FOR THE 2007 CERTIFICATES - Non-appropriation; Other Termination Events" below. In that event, the Trustee would be entitled to exercise all available remedies, which could include re-leasing the Leased Property. See "RISK FACTORS - Limitations on Remedies" below.

The County's obligation to make Lease Payments does not constitute a debt or liability of the County, the State or any political subdivision thereof within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision thereof is pledged to pay the principal or interest evidenced by the 2007 Certificates. Payments with respect to the 2007 Certificates will be made solely from amounts derived under the terms of the Lease, including the Lease Payments, and available amounts from time to time on deposit under the terms of the Trust Agreement. No funds are pledged by the County to pay Lease Payments.

As described under "Trust Agreement - The Insurer as Owner" in Appendix C hereto, the Insurer will have the right to consent on behalf of Owners of the 2007 Certificates (with limited exceptions) to amendments of the Lease and the Trust Agreement, without notice to or consent of such Owners.

Non-appropriation; Other Termination Events

If the County fails to obtain, on or before the third Business Day prior to the last date on which the County is required or permitted to adopt its budget for a fiscal year, proper budgeting and final appropriation by the Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the Fiscal Year for which such budgeting and appropriation are made, thereafter, the County will immediately notify the Trustee and the Insurer in writing of that fact. If on the last date on which the County is required or permitted to adopt its budget for a Fiscal Year no such proper budgeting and final appropriation by the Board of Supervisors shall have been made, all of the County's right, title and interest in and future obligations under the Lease and to all of the Leased Property shall terminate (subject to reinstatement as provided below), effective as of the last day of the last fiscal period for which such budgeting and appropriation were properly obtained and for which sufficient funds were determined to be lawfully available and allocated. The County shall be relieved of any subsequent obligation under the Lease with respect thereto, other than to return to the Trustee possession of all of the Leased Property as provided in the Lease and to pay any accrued and unpaid obligations.

The budget officials of the County have covenanted in the Lease that they will include in the budget presented to the Board of Supervisors sufficient funds for payment of all Lease Payments and Additional Rent when due, provided, however, pursuant to Arizona law, the budgeting and appropriation of money by the County is a legislative act of the Board of Supervisors and is beyond the control of the budgeting officials of the County.

If the Lease terminates as described above and if within forty-five (45) days after such date of termination amounts described above are determined to be available which would have permitted the Lease to have continued in effect with respect to the Leased Property if such amounts had been determined to be available prior to the termination date, then the Lease shall be reinstated with respect thereto and deemed renewed as of the day following the date of such termination.

In the event the County terminates the Lease, the County will have no further obligations under the Lease. Upon termination, the County is required by the Lease to surrender possession of the Leased Property to the Trustee. Such termination shall constitute an Event of Default under the Trust Agreement, if the Lease has not been reinstated, but such termination shall not be a default under the Lease. Upon such Event of Default under the Trust Agreement, the Trustee (with the consent of the Insurer) may exercise one or more of the remedies provided in the Trust Agreement, subject to receipt of indemnity satisfactory to it, including an option to re-lease its interest in the Leased Property, and to apply the proceeds of such disposition, if any, along with the moneys in the Lease Payment Fund, to the payment of 2007 Certificates. See "TRUST AGREEMENT -- Event of Default; Acceleration" in Appendix C hereto. However, there is no assurance that net revenues received by the Trustee from any re-lease of the Leased Property would be sufficient to pay in full all Outstanding 2007 Certificates. Should such a shortfall occur, the interest and principal represented by the 2007 Certificates, would be paid by the Trustee to the extent of moneys, if any, held by the Trustee under the Trust Agreement.

Upon an Event of Default under the Trust Agreement, the Trustee (with the consent of the Insurer) is required to take action to force the County to surrender possession of the Leased Property. However, the exercise by the Trustee of any other subsequent or additional remedies may be affected by the environmental condition of the Leased Property and the Trustee may decline to exercise such other remedies unless it is indemnified and obtains

assurances to its satisfaction that it will not become responsible for environmental liabilities. See "RISK FACTORS -- Limitation on Remedies."

Damage, Taking or Removal of Leased Property

The Leased Property is required to be insured or self-insured to the extent set forth herein under "LEASE – Insurance" in Appendix C hereto, which includes property insurance equal to the full replacement cost of the Leased Property. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property and other liabilities in amounts required by the Lease.

Under the Lease, the Net Proceeds of any insurance recoveries and proceeds of self-insurance resulting from any damage or destruction of the Leased Property by fire or other casualty must be deposited in the Insurance and Condemnation Fund established under the Trust Agreement. Moneys in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County, provided, however, that if the County notifies the Trustee and the Insurer within 90 days of such deposit of its determination that the replacement, repair, restoration, modification or improvement of the damaged portion of the Leased Property is not economically feasible or in the best interests of the County, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to effect extraordinary redemption of Outstanding 2007 Certificates (See "DESCRIPTION OF THE 2007 CERTIFICATES -- Redemption Provisions – Extraordinary") as follows: in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause redemption of all Outstanding 2007 Certificates, and in the event of damage or destruction of the Leased Property in part, if such Net Proceeds are sufficient, together with all other funds available therefor to redeem all Outstanding 2007 Certificates, such amounts shall be applied to the extraordinary redemption, in whole, of all Outstanding 2007 Certificates, or if such Net Proceeds, together with such other funds, are not sufficient to redeem all Outstanding 2007 Certificates, then the County shall have the option to either use such Net Proceeds to repair the Leased Property or to extraordinarily redeem the 2007 Certificates in part.

In the event of such partial redemption, the Lease Payments will be reduced to an amount sufficient to pay interest and principal represented by the Outstanding 2007 Certificates remaining after such partial redemption.

Under the Lease, the County will waive any right to terminate the Lease because of damage or destruction to the Leased Property, but retains the right to determine annually whether to appropriate Lease Payments for its next Fiscal Year.

If all the Leased Property is taken by eminent domain, the Net Proceeds of the condemnation award shall be used to extraordinarily redeem 2007 Certificates to the extent of such Net Proceeds and the Lease shall terminate as of the date possession is taken from the County.

If a part of the Leased Property is taken by eminent domain, or if all of the Leased Property is taken temporarily, then the Lease shall continue in effect and the Net Proceeds will be applied as follows: if the Trustee determines that either (1) such taking does not materially adversely affect the operation of the Leased Property and the Net Proceeds are not needed to replace the Leased Property, or (2) such taking does materially adversely affect remaining portions of the Leased Property or the ability of the County to meet any of its obligations under the Lease, then the Net Proceeds will be used to extraordinarily redeem 2007 Certificates in part (see "DESCRIPTION OF THE 2007 CERTIFICATES -- Redemption Provisions – Extraordinary"); otherwise, such Net Proceeds will be used to replace the taken Leased Property.

If there is a partial taking of the Leased Property, the Lease Payments shall be reduced to an amount sufficient to pay interest and principal represented by 2007 Certificates Outstanding after such partial redemption.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not used to redeem 2007 Certificates are required to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County. Any balance of the Net Proceeds remaining after such work has been completed is required to be deposited in the Lease Payment Fund and applied as a credit against the next subsequent Lease Payments.

Additional Certificates

Subject to certain conditions provided in the Trust Agreement, the Trustee may (with the consent of the Insurer) execute and deliver, at the direction of the County, Additional Certificates from time to time to provide funds to pay the costs of refunding Outstanding Certificates or to pay the costs of making any modifications or improvements to the Leased Property or to finance additional property as the County deems necessary or desirable. Such conditions include, but are not limited to, that the Lease remains in effect, that no Event of Default has occurred under the Trust Agreement, that such Additional Certificates do not affect the tax-exempt status of the Outstanding Certificates then bearing tax-exempt interest or result in the reduction or withdrawal of the assigned ratings on the Outstanding Certificates.

CERTIFICATE INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the 2007 Certificates, effective as of the date of issuance of the 2007 Certificates. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the 2007 Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2007 Certificates and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2007 Certificates become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2007 Certificates, Ambac Assurance will remain obligated to pay the principal of and interest on outstanding 2007 Certificates on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2007 Certificates, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a 2007 Certificate that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; and

3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the 2007 Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2007 Certificates to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the 2007 Certificates, appurtenant coupon, if any, or right to payment of the principal of or interest on such 2007 Certificates and will be fully subrogated to the surrendering holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin, and is licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **$10,015,000,000** (unaudited) and statutory capital of approximately **$6,371,000,000** (unaudited) as of **December 31, 2006.** Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in the Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor.

No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Financial Guaranty Insurance Policy due to non-appropriation of funds by the County.

Ambac Assurance makes no representation regarding the 2007 Certificates or the advisability of investing in the 2007 Certificates and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by Ambac Assurance and presented under the heading "CERTIFICATE INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices is One State Street Plaza, 19th Floor, New York, New York 10004, and its telephone number is (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "**Available Information**".

RISK FACTORS

The purchase of the 2007 Certificates involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective 2007 Certificate purchaser should make an independent evaluation of all the information presented herein. Certain of these investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect relative importance of risks. The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the 2007 Certificates.

Limited Obligation. The obligation of the County to pay Lease Payments is not secured by the levy or pledge of any tax or any other funds and does not constitute a debt or indebtedness of the County or the State of Arizona within the meaning of any constitutional or statutory debt limitation or restriction. See "SECURITY FOR THE 2007 CERTIFICATES." The Lease Payments are payable by the County, subject to annual appropriation, from the County's General Fund.

No Pledge of County Funds. No funds or revenues of the County are pledged, obligated or restricted for the payment of the Lease Payments, including, without limitation, the funds and revenues described under "PLAN OF FINANCE - Leased Property" and – "Sources of Lease Payments." In addition, the County has the right to refuse to appropriate funds, and thus terminate the Lease, for any reason including inadequacy of the Leased Property. Were the County to refuse to appropriate funds and thereby terminate the Lease, there is no assurance that the Trustee would have adequate funds under the Trust Agreement to pay interest and principal represented by the Certificates.

Other Obligations of County. The County has existing obligations, including lease-purchase obligations, and has the capacity to enter into other obligations which are payable from amounts in the County's General Fund, which is the same source it will use to make Lease Payments. To the extent that the County's current or future obligations are paid from the General Fund, the funds available to make Lease Payments may be decreased. The Lease imposes no restrictions upon the ability of the County to incur additional obligations.

Termination of Lease. In addition to termination of the Lease upon non-appropriation of funds (see "SECURITY FOR THE 2007 CERTIFICATES--Non-appropriation; Other Termination Events"), several other events may lead to a termination of the Lease.

(1) an Event of Default on the part of the County and an election by the Trustee to terminate the Lease (See "LEASE -- Events of Default" in Appendix C hereto);

(2) the taking of all of the Leased Property under the power of eminent domain, described below; and

(3) violation of certain State statutes pertaining to conflicts of interest, described below.

If an Event of Default under the Lease occurs, the Trustee may (with the consent of the Insurer) terminate the Lease and relet the Leased Property. The Net Proceeds from the re-leasing of the Leased Property, together with other moneys then held by the Trustee under the Trust Agreement are required to be used under the Trust Agreement

to pay principal and interest represented by the 2007 Certificates as it becomes due, to the extent of such moneys. No assurance can be given that the amount of such funds would be sufficient to pay all 2007 Certificates when due.

In the event that the Leased Property has been taken in whole pursuant to such eminent domain proceedings, all Net Proceeds, together with funds, if any, then on hand in funds held by the Trustee will be applied to the extraordinary redemption of the 2007 Certificates and the Lease shall terminate on the date possession is taken from the County. No assurance can be given that the Net Proceeds of eminent domain and other moneys available under the Trust Agreement will be sufficient to redeem all of the Outstanding 2007 Certificates.

As required by the provisions of Arizona Revised Statutes Section 38-511, the County may, within three years after its execution, cancel any contract (including the Financing Documents), without penalty or further obligation, made by the County if any person significantly involved in initiating, negotiating, securing, drafting, or creating the Financings Documents on behalf of the County (a "County Representative") is, at any time while the Financing Documents or any extension thereof are in effect, an employee of any other party to the Financing Documents in any capacity or a consultant to any other party of the Financing Documents with respect to the subject matter thereof. The cancellation shall be effective when written notice from the Board of Supervisors of the County is received by all other parties to the Financing Documents unless the notice specifies a later time. The Trustee has agreed in the Lease not to employ as an employee or an agent, or with respect to the subject matter of the Financing Documents, as a consultant any County Representative within three years from execution of the Financing Documents unless a waiver of Section 38-511 is provided by the County Board of Supervisors.

Special Counsel is not rendering an opinion with respect to the tax-exempt status of payments made to Owners of the 2007-A Certificates from sources other than funds made available by the County as a result of the termination of the Lease for any reason (including termination upon nonappropriation of funds by the County). If the Lease is terminated while 2007-A Certificates are Outstanding, there is no assurance that after such termination, payments made to Owners (from sources other than funds made available by the County) with respect to interest will be excludable from gross income of the Owners thereof for federal or Arizona income tax purposes.

In addition, neither Special Counsel nor counsel to the Underwriter is rendering an opinion as to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to the transfer of any 2007 Certificates in the event payments are received from sources other than funds made available by the County as a result of termination of the Lease for any reason. If the Lease is terminated while the 2007 Certificates are Outstanding, there is no assurance that after such termination 2007 Certificates may be transferred by a 2007 Certificate Owner without compliance with the registration provisions of the Securities Act of 1933, as amended, or that an exemption from such registration is available.

Limitations on Remedies. Due to the specialized configuration of the Leased Property after the County completes remodeling of the Existing Facility to meet the County's needs, and the limited number of potential users of the Leased Property, no assurance can be given that the proceeds from any re-leasing of the Leased Property will be sufficient to pay in full the 2007 Certificates. The enforcement of any remedies provided in the Lease and Trust Agreement could prove both expensive and time consuming. In addition, the enforceability of the Lease and Trust Agreement is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of the Leased Property upon termination of the Lease or exercise of remedies upon default by the County may result in delays in payment of the Certificates except to the extent payable from payments by the Insurer under its Policy.

Although the Lease and the Trust Agreement provide that the Trustee may take possession of the Leased Property and re-lease the Leased Property if there is a default by the County thereunder or if the County terminates the Lease, and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, no assurance can be given that revenues from the Trustee's reletting or sale of the Leased Property would be sufficient to pay in full all Outstanding Certificates.

Upon the termination of the Lease or if the County defaults in its obligation to make Lease Payments thereunder, the Trustee is required (with the consent of the Insurer) to take action to force the County to surrender

possession of the Leased Property. However, under the terms of the Trust Agreement, the Trustee is not under any obligation to take any other action, if the Trustee determines that to do so exposes the Trustee to a risk of financial liability (including environmental liability) for which it reasonably believes it is not adequately indemnified. Prior to taking other actions under the Trust Agreement, the Trustee may request assurances, such as an additional environmental audit, that it will not incur liability by reason of any other action taken by the Trustee pursuant to the Trust Agreement.

Tax-Exempt Status of Interest. The County anticipates receiving payments from private parties for the use of a portion of the Lease Property. See "PLAN OF FINANCE - Leased Property" above. If such private payments exceed certain permitted amounts, the tax-exempt status of the interest component of the 2007-A Certificates could be lost, unless the County takes certain remedial actions required under federal tax law. The County has covenanted in the Lease not to take any action which would cause the interest component of the 2007-A Certificates to be included in gross income for federal income tax purposes, which includes not receiving such private payments in such amounts as to cause loss of such tax exemption. As described under "TAX MATTERS" below, Special Counsel will assume in giving its tax opinion that the County will comply with such covenant and failure of the County to so comply could cause loss of such tax exemption retroactive to date of original execution and delivery of the 2007-A Certificates.

SOURCES AND USES OF FUNDS

The sources and uses of funds derived from the sale of the 2007 Certificates, as herein described, are as follows (excluding accrued interest):

Sources of Funds

	2007-A Certificates	2007-B Certificates
Par Amount of 2007 Certificates	$28,765,00.00	$1,555,000.00
Plus: Net Premium	1,427,746.55	-
Total Sources	$30,192,246.55	$1,555,000.00

Uses of Funds

Deposit to Project Fund	$29,562,030.20	$1,500,000.00
Costs of Issuance (Including Underwriter's Discount, and Bond Insurance Premium)	630,216.35	55,000.00
Total Uses	$30,192,246.55	$1,555,000.00

CERTIFICATE PAYMENT REQUIREMENTS

The Lease requires that Lease Payments be paid on the fifteenth day of the month preceding each Interest Payment Date and in the following amounts. The Trust Agreement provides that such amounts be deposited in the Lease Payment Fund and applied, on a semiannual basis, to pay amounts due with respect to the 2007 Certificates.

	Lease Payments on 2007 Certificates		
Certificate Payment Date	Principal Payment Portion	Interest Payment Portion	Total Lease Payments on Certificates
1/01/2008		$952,342	$952,342
7/01/2008	$1,245,000	714,257	1,959,257
1/01/2009		681,762	681,762
7/01/2009	1,545,000	681,762	2,226,762
1/01/2010		649,250	649,250
7/01/2010	1,610,000	649,250	2,259,250
1/01/2011		617,050	617,050
7/01/2011	1,675,000	617,050	2,292,050
1/01/2012		583,550	583,550
7/01/2012	1,740,000	583,550	2,323,550
1/01/2013		548,750	548,750
7/01/2013	1,810,000	548,750	2,358,750
1/01/2014		510,288	510,288
7/01/2014	1,890,000	510,288	2,400,288
1/01/2015		470,125	470,125
7/01/2015	1,970,000	470,125	2,440,125
1/01/2016		420,875	420,875
7/01/2016	2,065,000	420,875	2,485,875
1/01/2017		369,250	369,250
7/01/2017	2,170,000	369,250	2,539,250
1/01/2018		315,000	315,000
7/01/2018	2,280,000	315,000	2,595,000
1/01/2019		258,000	258,000
7/01/2019	2,395,000	258,000	2,653,000
1/01/2020		198,125	198,125
7/01/2020	2,515,000	198,125	2,713,125
1/01/2021		135,250	135,250
7/01/2021	2,640,000	135,250	2,775,250
1/01/2022		69,250	69,250
7/01/2022	2,770,000	69,250	2,839,250

LITIGATION

There is no litigation or administrative action pending or, to the knowledge of the County, threatened to restrain or enjoin the issuance or delivery of the 2007 Certificates, the Trust Agreement, the Ground Lease, the Project Agreement or the Lease, or in any way contesting or affecting any authority for the execution and delivery of the 2007 Certificates, or the validity of the 2007 Certificates, the proceeds from the execution and delivery thereof or any agreements entered into in connection therewith, or in any way contesting the existence or powers of the County with regard to the 2007 Certificates, the Trust Agreement, the Ground Lease, the Project Agreement or the Lease or any agreement, document, duty or covenant pertaining thereto.

LEGAL MATTERS

The 2007 Certificates are sold with the understanding that the County will furnish the Underwriter with the approving opinion of Squire, Sanders, & Dempsey L.L.P., Special Counsel. A form of such opinion is included in Appendix D hereto. Said attorneys have been retained by the County as Special Counsel and in such capacity are to render their opinion only upon the legality of the 2007 Certificates under Arizona law and on the exclusion of the interest portion related to the 2007-A Certificates from gross income for purposes of calculating federal income taxes and of the exemption of that interest portion from State of Arizona income taxes (see "TAX MATTERS" herein). Fees of Special Counsel will be paid from 2007 Certificate proceeds.

Certain legal matters will be passed upon solely for the benefit of the Underwriter by Greenberg Traurig, LLP.

TAX MATTERS

General

2007-A Certificates. In the opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel, under existing law (i) the portion of each Lease Payment made by the County pursuant to the Lease and denominated as and comprised of interest pursuant to Lease and received by the Owners of the 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the 2007-A Interest Portion is exempt from Arizona state income tax. Under certain circumstances, interest paid for periods following termination of the Lease by nonappropriation may not be excludable from gross income for federal income tax purposes. Special Counsel expresses no opinion on the federal income tax or Arizona state income tax treatment of amounts paid to Owners in the event of termination of the Lease by nonappropriation or as to any other tax consequences regarding the 2007-A Certificates. See also "SECURITY FOR THE CERTIFICATES –Termination of Lease Upon Nonappropriation and Non-allocation of Funds".

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2007-A Interest Portion is and will remain excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Special Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Special Counsel's legal judgment as to exclusion of the 2007-A Interest Portion from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Special Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of

which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the 2007-A Interest Portion being included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2007-A Certificates. The County has covenanted to take the actions required of it for the 2007-A Interest Portion to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Notwithstanding the previous sentence, in the event of termination of the Lease due to nonappropriation, use of the Leased Property in a manner that would cause the Lease, if such Leased Property had originally been used in such manner, to constitute a "private activity bond" under Section 141 of the Code may prompt the IRS to take the position that the 2007-A Interest Portion is not excluded from gross income for federal income tax purposes, retroactive to the date of execution and delivery of the 2007-A Certificates. After the date of execution and delivery of the 2007-A Certificates, Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of the 2007-A Interest Portion or the market prices of the 2007-A Certificates.

A portion of the 2007-A Interest Portion earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, the 2007-A Interest Portion may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Payments of interest on tax-exempt obligations, including the 2007-A Interest Portion, are generally subject to IRS Form 1099-INT information reporting requirements. If the owner of a 2007-A Certificate is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the excludability of such interest from gross income for federal income tax purposes. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2007-A Certificates. Special Counsel will express no opinion regarding those consequences.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. There can be no assurance that legislation enacted or proposed, or clarification of the Code, after the date of execution and delivery of the 2007-A Certificates, will not have an adverse effect on the tax status of the 2007-A Interest Portion or the market prices of the 2007-A Certificates.

Prospective purchasers of the 2007-A Certificates should consult their own tax advisers regarding pending or proposed federal tax legislation, and prospective purchasers of the 2007-A Certificates at other than their original issuance at the respective prices indicated on the inside front cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Special Counsel expresses no opinion.

Special Counsel's engagement with respect to the 2007-A Certificates ends with the execution and delivery of the 2007-A Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the beneficial owners regarding the tax status of the 2007-A Interest Portion in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2007-A Certificates, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the 2007-A Certificates will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2007-A Certificates for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the 2007-A Certificates.

Taxable 2007-B Certificates. NO ATTEMPT HAS BEEN OR WILL BE MADE TO PROVIDE THAT THE PORTION OF EACH LEASE PAYMENT MADE BY THE COUNTY PURSUANT TO THE LEASE AND DENOMINATED AS AND COMPRISED OF INTEREST PURSUANT TO LEASE AND RECEIVED BY THE OWNERS OF THE TAXABLE 2007-B CERTIFICATES IS EXCLUDED FROM GROSS INCOME FOR

FEDERAL INCOME TAX PURPOSES. NO OPINION IS RENDERED WITH RESPECT TO THE FEDERAL TAX CONSEQUENCES OF OWNERSHIP OF THE TAXABLE 2007-B CERTIFICATES AND EACH PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR TO DETERMINE THE FEDERAL TAX CONSEQUENCES OF OWNING THE TAXABLE 2007-B CERTIFICATES.

Original Issue Premium

The 2007-A Certificates ("Premium 2007-A Certificates") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium 2007-A Certificate, based on the yield to maturity of that Premium 2007-A Certificate (or, in the case of a Premium 2007-A Certificate callable prior to its stated maturity, 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 Premium 2007-A Certificate), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium 2007-A Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium 2007-A Certificate, the owner's tax basis in the Premium 2007-A Certificate is reduced by the amount of bond 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 Premium 2007-A Certificate for an amount equal to or less than the amount paid by the owner for that Premium 2007-A Certificate. A purchaser of a Premium 2007-A Certificate in the initial public offering at the price for that Premium 2007-A Certificate stated on the inside front cover of this Official Statement who holds that Premium 2007-A Certificate to maturity (or, in the case of a callable Premium 2007-A Certificate, to its earlier call date that results in the lowest yield on that Premium 2007-A Certificate) will realize no gain or loss upon the retirement of that Premium 2007-A Certificate.

Owners of Premium 2007-A Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium 2007-A Certificates and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Group ("S&P") will assign the 2007 Certificates the ratings of "Aaa" and "AAA", respectively, with the understanding that upon delivery of the 2007 Certificates a policy insuring the payment when due of the principal of and interest on the 2007 Certificates will be issued by Ambac Assurance. The 2007 Certificates have also been assigned uninsured ratings of "A1 and "A+" by Moody's and S&P, respectively. Such ratings reflect only the respective views of each organization and any desired explanation of the significance of such ratings should be obtained from Moody's at 99 Church Street, New York, New York 10007 or from S&P at 55 Water Street, New York, New York, 10041. The ratings are not recommendation to buy, sell or hold the 2007 Certificates and there is no assurance that the ratings will continue for any given period of time. The respective ratings may be revised downward or withdrawn entirely by Moody's and S&P if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2007 Certificates.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the 2007 Certificates to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2008 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notice of Material Events"). The Annual Report will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. (At present no such state information depository has been designated.) The Notices of Material Events will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with any state information depository established by the State. The specific nature of the information to be contained in the Annual Report and the Notices of Material Events is set forth in "Appendix E – Continuing Disclosure Undertaking."

These covenants have been made in order to assist the Underwriter of the 2007 Certificates in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Pursuant to Arizona law, the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and mailing the Annual Report and the Notices of Material Events to each Nationally Recognized Municipal Securities Information Repository and to any state information depository established by the State. A failure by the County 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 2007 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2007 Certificates and their market price.

The County failed to file certain schedules as part of its continuing disclosure requirements related to its 1998 Sewer Revenue Bonds by February 1, 2002. The disclosures were filed, however, with all Nationally Recognized Municipal Securities Information Repositories by July 1, 2002. The County has otherwise complied with all existing continuing disclosure undertakings relating to the County in all material respects.

UNDERWRITING

The 2007 Certificates will be purchased by the Underwriter, at an aggregate purchase price of $31,337,926.55 ("Purchase Price") pursuant to a certificate purchase contract (the "Certificate Purchase Agreement") entered into by the County, the Trustee and the Underwriter. If the 2007 Certificates are sold to produce the yields shown on the inside front cover, the Underwriter's compensation will be $409,320.00. The Certificate Purchase Agreement provides that the Underwriter will purchase all of the 2007 Certificates so offered if any are purchased. The Underwriter may offer and sell the 2007 Certificates to certain dealers (including dealers depositing 2007 Certificates into unit investment trusts) and others at yields lower than the public offering prices 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.

FINANCIAL STATEMENTS

The financial statements of the County as of June 30, 2006 and for its fiscal year then ended, which are included as Appendix F of this Official Statement, have been audited by the Auditor General of the State of Arizona, as stated in their opinion which appears in Appendix F. The County neither requested nor obtained the consent of the Auditor General to include their report and the Auditor General has performed no procedures subsequent to rendering their opinion on the financial statements. The audited financial statements in Appendix F do not cover the most recent fiscal year and, therefore, may not represent the current financial condition of the County.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement may be obtained from Pima County, Director of Finance and Risk Management, 130 W. Congress, Tucson, Arizona 85701.

CONCLUDING STATEMENT

To the extent that any statement made in this Official Statement involves 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. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has been identified by source and has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing are to be construed as part of a contract with the Underwriter or subsequent owners of the 2007 Certificates.

The County has approved and authorized the distribution and use of this Official Statement.

PIMA COUNTY, ARIZONA

By_____
Chairman, Board of Supervisors

By_____
County Administrator

CONCLUDING STATEMENT

To the extent that any statement made in this Official Statement involves 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. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has been identified by source and has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing are to be construed as part of a contract with the Underwriter or subsequent owners of the 2007 Certificates.

The County has approved and authorized the distribution and use of this Official Statement.

PIMA COUNTY, ARIZONA

By Richard Elias
Chairman, Board of Supervisors

By C.H. Huckelberry
County Administrator

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APPENDIX A

PIMA COUNTY, ARIZONA
General Economic And Demographic Information

General Information

Pima County, Arizona (the "County") is located in the southern portion of the State of Arizona ("Arizona" or the "State"), with a section of its southern boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,184 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties, the County is today the second most populous county in Arizona with an estimated 2006 population of 981,280 Approximately 55% of the County's population resides in the City of Tucson, Arizona ("Tucson"), the County seat of government and southern Arizona's largest city.

TABLE 1
Population Statistics For Pima County, the City of Tucson and the State of Arizona

	Pima County	City of Tucson	State of Arizona
2006 Estimate*	981,280	534,685	6,305,210
2000 Census	843,746	486,699	5,130,632
1990 Census	666,880	405,390	3,665,228
1980 Census	531,443	330,537	2,716,546
1970 Census	351,667	262,933	1,775,399
1960 Census	265,660	212,892	1,302,161

*Population estimate as of July 1, 2006. Approved by Department of Economic Security Director, March 2, 2007.

Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics.

Organization

The County is governed by a five-member Board, each of whom is elected for a four-year term to represent one of the designated districts within the County. The chair is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints, among others, a County Administrator and a Finance and Risk Management Director. The County Administrator is responsible for the general administration and overall operations of the various departments of the County.

Mr. Charles H. Huckelberry was appointed County Administrator in December 1993. From 1987 to 1993, Mr. Huckelberry served as an Assistant County Manager with responsibility for the administration of public works. He served as the Director of Pima County's Department of Transportation and the Flood Control District from 1979 to 1987; as Deputy Director of the Department from 1976 to 1979; and as the Department's Manager of Field Engineering from 1974 to 1976. He was self employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from the University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Finance and Risk Management Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to this move, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a

Deputy County Attorney representing various Pima County departments primarily including the County Assessor, the County Treasurer and Public Works departments. From 1989 to 1998 Mr. Burke served as the Manager of Pima County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with Pima County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Transportation

Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is traversed by Interstates 10 and 19, as well as State Highways 77, 83, 85 and 86. Interstate 10 passes through Tucson and connects Tucson with the City of Phoenix, Arizona, to the north and Los Angeles, California, to the west and New Mexico and Texas to the east. Interstate 19 provides access to the City of Nogales, Arizona and Mexico to the south, while U.S. Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of the Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has an 11,000-ft. lighted, paved primary runway, a 9,100-ft. paved secondary runway and a 7,000-ft paved runway, all of which can accommodate all major types of carriers. The County is also served by Greyhound bus lines and Amtrak.

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment; these three industries represented nearly 84.6% of total employment in 2006. Figures from the Arizona Department of Economic Security indicate that 379,900 persons were employed, on average (not including the agricultural industry), in the County in 2006. The following table presents the County's average annual total employment by industry for the years indicated:

TABLE 2

Pima County
Average Annual Employment
Number of Persons Employed 2001-2006

Industry	2001	2002	2003	2004	2005	2006
Goods Producing						
Natural Resources and Mining	1,800	1,500	1,200	1,200	1,400	1,600
Construction	22,700	22,500	22,900	23,700	25,700	28,100
Manufacturing	33,000	30,500	28,700	28,300	28,200	28,800
Service Producing						
Trade, Transportation and Utilities	55,300	54,400	54,400	54,600	58,500	61,800
Information	7,700	7,900	7,600	7,700	7,200	7,000
Financial Activities	14,400	14,400	15,100	15,900	16,400	17,300
Professional and Business Services	41,300	41,500	41,300	41,800	45,800	49,100
Education and Health Services	41,800	43,600	45,600	47,700	50,300	52,800
Leisure and Hospitality	38,200	37,300	36,500	37,700	40,200	40,700
Other Services	14,300	14,500	14,500	14,800	14,700	15,900
Government	76,800	77,900	78,200	78,100	77,400	76,800
Total Wage & Salary Employment	347,300	346,000	346,000	351,500	365,800	379,900

Source: Arizona Department of Economic Security.

The average unemployment rate for the County in 2006 was 4.0%. The average annual unemployment rate for 2005 and 2004 was 4.6% and 4.6%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States.

TABLE 3

Pima County
Comparative Employment Statistics

Calendar Year	Pima County Average Employment	Pima County Average Unemployment	Unemployment Rate Pima County	Unemployment Rate Arizona	Unemployment Rate U.S.
2006	431,000	18,100	4.0%	4.1%	4.6%
2005	415,500	20,000	4.6%	4.7%	5.1%
2004	416,800	20,200	4.6%	5.0%	5.5%
2003	403,200	22,500	5.3%	5.7%	6.0%
2002	397,600	23,700	5.6%	6.1%	5.8%
2001	395,500	17,900	4.3%	4.7%	4.7%

Source: Arizona Department of Economic Security

TABLE 4

Pima County
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,184
University of Arizona	Education	10,354
State of Arizona	Government	9,927
Davis-Monthan Airforce Base	Military	8,233
Tucson Unified School District	Education	7,419
Pima County	Government	7,290
City of Tucson	Government	5,848
Wal-Mart Stores Inc.	Retail	5,625
Phelps Dodge Mining Company	Mining	4,900
Carondelet Health Network	Health Care	4,319
Tohono O'Odham Nation	Tribal Government	3,825
TMC Health Care	Health Care	3,474
University Medical Center Corp.	Health Care	3,094
U.S. Border Patrol	Government	2,763
Sunnyside Unified School District	Education	2,690
Pima Community College	Education	2,211
Amphitheater Public Schools	Education	2,187
Pascua Yaqui Tribe	Tribal Government	2,184
CheckMate Professional Employer	Service	2,131
Citi	Service	2,000

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

Services

From 2001 to 2006, the service-providing industry in the County (excluding Government employees) expanded by 31,600 jobs or 14.84%. The average annual employment in the service-providing industry in 2006 was 244,600. It is anticipated that as the County continues to grow in population and economic activity, the service-providing industry will continue to be a significant contributor. As detailed above, Health Care and Education were a dominating force in the service-providing industry.

Government

Government employment plays an important role in the County with Federal, State and local government employees numbering approximately 76,800 in 2006. The State of Arizona and the Davis-Monthan Air Force Base are significant contributors to government employment in the County (see "Pima County - Major Employers" listed in the above table). The Davis-Monthan Air Force Base is a major training ground for active duty members on the A-10 "Warthog" aircraft. The facility is also responsible for the education of tactical missile crews. Its storage capacity of 2,500 aircraft is the largest in the world. In the past, Davis-Monthan Air Force Base has been included reportedly on lists of installations considered for closure or realignment by the Defense Base Closure and Realignment Commission. There can be no assurances that Davis-Monthan Air Force Base will not be included on similar lists in the future. Any such closure or realignment would most likely be subject to review and approval by, among others, the Department of Defense and the President of the United States and would have a negative but unquantifiable effect on the County.

Manufacturing

The manufacturing sector continues to be dominated by the high technology industries of aerospace and electronics. Raytheon Missile Systems, the largest manufacturing company in the County, is a major supplier of advanced munitions. Civilian aviation products and services are provided by Bombardier, which has an aircraft maintenance facility in Tucson, and Universal Avionics Systems Corp., which builds and installs advanced instrumentation, communication and navigation systems for civil aircraft. Texas Instruments and International Business Machines manufacture electronic circuitry and data storage devices. Ventana Medical Systems provides computerized medical laboratory equipment.

Average annual employment in the manufacturing sector within the County in 2006 was 28,800, representing 7.6% of the County's total wage and salary employment base. Manufacturing employment during 2005 and 2005 averaged 28,200 and 28,300, respectively.

The following table presents the major manufacturers in the County and Tucson metropolitan area:

TABLE 5

Metropolitan Pima County
Major Manufacturers

Company	Type of Business	Approximate 2006 Employment
Raytheon Missile Systems	Missile Manufacturing	11,184
International Business Machines Corp.	Computer Systems	1,750
Honeywell Aerospace	Aircraft Electronic Systems	750
Texas Instruments	Semiconductor Products	625
Bombardier Aerospace	Aircraft Maintenance	614
Northrop Grumman Corp.	Missile Manufacturing	582
Ventana Medical Systems Inc.	Computer Systems	580
Beacon Group SW Inc.	Contract Labor Work	434
Kalil Bottling Co.	Soft Drinks	354
Hart & Cooley	Air Registers	220

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2007).

The County's proximity to Mexico makes twin plant "maquiladora" operations practical. Components are manufactured in Tucson and transported duty-free to Nogales, Sonora, Mexico, 65 miles south of Tucson, for assembly. Among the companies operating "twin plants" in Tucson and Nogales are General Electric, Samsonite, Motorola, Acco, Moen Faucets and Masterlock. These manufacturers contribute to the County's economy in many ways including the support of numerous suppliers and peripheral industries. The proximity of the Mexican border is more significant to manufacturing concerns given the existence of the North American Free Trade Agreement between Canada, the United States and Mexico. However, the uncertainty of the Mexican economy may negatively impact the growth of the previously described manufacturing concerns.

The County has encouraged the location of industry within the community by the development of 33 industrial parks and funding, in conjunction with Tucson, the Tucson Regional Economic Opportunities Inc., a private, non-profit corporation.

Tourism

Tourism is an important economic mainstay in the County and the Tucson area. The County's climate, historical and cultural sites, location and proximity to vacation areas in California, Mexico, and other Southwest destinations attract vacationers, conventioneers and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimates that over 700 convention bookings with 199,738 convention delegates visited the Tucson area in fiscal year 2005-06. In the Tucson area, there are 232 hotels and resorts with over 15,165 rooms. Points of interest, recreational sites and sight-seeing attractions include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Pima Air and Space Museum, Titan Missile Museum, Saguaro National Monument, Mission San Xavier del Bac, Mount Lemmon, Sabino Canyon, Biosphere 2, and numerous resorts and golf courses. In addition, the Tucson metropolitan area is the home of spring training for Major League Baseball's Arizona Diamondbacks, Chicago White Sox and Colorado Rockies.

According to the Arizona Hospitality Research & Resource Center, over $1.5 billion was spent in the County in 2006. These figures include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies between 2002 and 2006.

Total Tourist Expenditures
($ in millions)

Year	Pima County	State of Arizona
2006	$1,532	$10,441
2005	1,435	9,680
2004	1,283	8,515
2003	1,190	7,808
2002	1,163	7,441

Source: Arizona Hospitality Research & Resources Center.

Education

The University of Arizona (the "University") provides approximately 14,363 jobs to the area and is an important link to the economic growth of the County. Its presence as a research university has assisted in attracting new business enterprises. The academic organization of the University is comprised of ten undergraduate colleges, five graduate colleges and a number of interdisciplinary programs. Enrollment figures for the fall semester of 2006 were estimated at 36,805 undergraduate and graduate full-time students. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Pima County Community College offers two-year programs in vocational and technical education. Total student enrollment for Pima County Community College for 2004-05 was estimated at 75,408 students.

Source: University of Arizona and Pima County Community College.

Wholesale and Retail Trade

Wholesale and retail trade includes restaurants, hotels, taverns, service stations, automobile repair shops, shopping malls and wholesale dealers. The largest individual employers in the retail sector (companies with more than 1,000 employees) are Wal-Mart Stores, Bashas' Inc., Safeway Stores Inc., Fry's Food and Drug Stores, Walgreen Co., Home Depot, Albertsons-Osco and Crosstown Traders.

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within Pima County generally levy a 2% to 2.5% sales tax. Beginning July 1, 2006, the Regional Transportation Authority began levying a 0.5% sales tax.

The following table sets forth retail sales figures in the County for the past five full years.

TABLE 6

Pima County Retail Sales (a)

Year	Amount	% Change
2006	$7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%
2003	6,216,097,166	3.39%
2002	6,012,022,946	1.13%
2001	5,944,792,196	2.20%

(a) Excludes Food Sales and Gas Tax.

Source: Arizona Department of Revenue.

Financial Institutions

The following table illustrates the total dollars on deposit with all FDIC-Insured banking institutions in the County as of June 30 of each year.

TABLE 7

Pima County
Bank Deposits

Year	Amount
2006	$11,151,000,000
2005	10,250,000,000
2004	8,941,000,000
2003	8,091,000,000
2002	7,391,000,000

Source: FDIC (Federal Deposit Insurance Corporation).

Mining

According to the Arizona Mining Association, Arizona leads the nation in copper production, accounting for 65% of the total U.S. mine production. However, the cyclical nature of this industry has caused some consolidation of its resources to improve production. In the early 1980's, the Arizona copper industry's direct economic impact on the Arizona economy regularly exceeded $1.0 billion, peaking in 1981 at approximately $1.612 billion when the industry employed roughly 25,000 persons. This level of impact dropped to $0.875 billion in 1986, but increased to $1.49 billion in 1999. The direct economic impact of the industry statewide was approximately $1.605 billion, $1.296 billion, and $1.087 billion in 2005, 2004, and 2003, respectively. The direct impact of the copper industry within the County was nearly $580 million in 2005, $421million in 2004 and $370 million in 2003. Employment in the mining industry within the County was approximately 1,400 in 2005, 1,200 in 2004 and 1,200 in 2003.

Agriculture

Agriculture plays a less significant role in the economy of the County as a whole, but a small portion of the County relies on agriculture as its leading economic source. Principal crops harvested are cotton, wheat and hay, as well as vegetables. The following table sets forth the total cash receipts for all crops and livestock products in the County for the most recent five years for which reports are available.

TABLE 8

Cash Receipts From Agricultural Marketing
(Total Crops and Livestock)
Pima County

Year	Receipts
2005	$84,452,000
2004	80,103,000
2003	68,694,000
2002	51,983,000
2001	48,013,000

Source: *Arizona Agricultural Statistics Bulletin,* September 2006.

Building Permits

The following tables were compiled from *Arizona Construction Report*, a publication of Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University. The Center obtains its data from county and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost of a project, not on market price or the value of construction at the time the permit is issued. The date at which the permit is issued should not be construed as the date of construction.

TABLE 9

Pima County
Value of Building Permits

Year	Residential	Commercial	Industrial	Other	Total
2006	$1,562,755,000	$199,629,000	$16,736,000	$129,928,000	$1,909,048,000
2005	2,180,381,000	315,946,000	8,546,000	150,686,000	2,655,559,000
2004	1,680,800,000	284,275,000	16,206,000	117,220,000	2,098,501,000
2003	1,386,884,000	312,257,000	8,717,000	82,909,000	1,790,767,000
2002	1,089,239,000	277,762,000	10,766,000	131,771,000	1,509,538,000
2001	989,210,000	234,454,000	23,526,000	98,008,000	1,345,198,000

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

TABLE 10

Pima County
New Housing Starts

Year	Total Housing Units Permitted
2006	9,082
2005	12,272
2004	11,452
2003	9,635
2002	8,915
2001	8,735

Source: Arizona Real Estate Center, ASU Polytechnic Campus, Arizona State University.

Counties are required to adopt a Comprehensive Plan and cities and towns a General Plan under Arizona laws adopted in 1998 and 2000. All subsequent rezoning activity must conform to the plan. Most cities and towns and each of the larger counties, including Pima, are required to plan for growth areas and identify the means to provide necessary public services in the future. In addition to environmental and infrastructure elements, an analysis of available water is also required. Pima County's Comprehensive Plan was updated and adopted in 2001. State law requires that every 10 years the plan be redone or updated and approved by the voters. Also, as a result of these laws, counties have broader authority to adopt development impact fees and review lot splitting. Pima County has been implementing the policies of the Comprehensive Plan since its adoption.

APPENDIX B

PIMA COUNTY, ARIZONA
Financial Information

Introduction

The fiscal year for the County is from July 1 through June 30. The County's budget process is an ongoing function. Each fiscal year's process starts with the issuance in December of guidelines to all departments within which budgets must be developed. Department budget requests are submitted in February. A review process then takes place culminating with the County Administrator's submission of a proposed budget to the Board in time for budget hearings in mid-June. State statutes require that a tentative budget be adopted by the Board no later than the third Monday in July. At the time the final budget is adopted, which can be no later than the first Monday in August of each year, the Board of Supervisors holds a public hearing and meeting to determine the tax levy needed to support the budget. Taxes are then assessed and levied no later than the third Monday in August.

Expenditure Limitation

Beginning in fiscal year 1981-82, the County became subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County's annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitution provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation.

The County's expenditure limitation for the 2005-06 fiscal year was $411,190,872. The County's expenditures for the 2005-06 fiscal year were under the limit. The County's 2006-07 fiscal year expenditure limitation is $438,128,547.

Ad Valorem Taxes

General

Arizona (the "State" or "Arizona") property taxes are divided into two systems, primary and secondary. Secondary property taxes are those taxes imposed for payment of bonded indebtedness, for exceeding a budget, expenditure or tax limitation pursuant to voter approval and for operating and maintaining certain special districts. Primary property taxes are all ad valorem taxes other than secondary property taxes.

Under the primary system, the full cash value of locally-assessed real property (consisting primarily of residential, commercial, industrial, agricultural and unimproved property) cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property only are limited to 1% of the limited full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation except that for tax year 2006 the increase was limited to 2%over the 2005 actual primary property tax levy with the same add-ons. The 2% limitation does not apply to primary taxes levied for local school districts. The County does not currently levy its primary tax levy to the maximum allowed under the law. Under a proposition approved by the voters in November 2006, the tax levy limit was readjusted to actual levy amounts for 2005 as the new base year.

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on bonds, school district voter-approved budget overrides and special district taxes and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. See "Debt

Limitation" herein. Under the secondary system, there is no limitation on annual increases in full cash value of any property. In addition, annual tax levies for voter-approved bonded indebtedness, overrides and special district taxes are, except as they are described herein under the subheading "The Bonds – Security and Sources of Payment", unlimited.

Arizona law provides for a property valuation "freeze" for certain residential property owners sixty-five years of age and older. Owners of residential property may obtain such freeze against valuation increases (the "Property Valuation Projection Option") if the owner's total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations.

Tax Procedures

The tax year in Arizona is defined as the calendar year, although tax procedures begin prior to January 1 of each tax year and continue through May of the succeeding calendar year. The first step in the tax process, for taxing entities other than certain special districts, is the determination of the full cash value of each individually-owned parcel of land within the State. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuation of centrally assessed properties such as gas, water and electrical utilities, railroads, mines and pipelines. The appropriate property classification assessment ratio is then applied to the full cash value to determine the assessed valuation for such parcel. The assessment ratios utilized over the five-year period 2002-03 through 2006-07 for each class of property are set forth below.

Property Tax Assessment Ratios
2002-03 through 2006-07

Classification (a)	2002-03	2003-04	2004-05	2005-06	2006-07
Mining , Utility, Commercial and Industrial (b)(c)	25%	25%	25%	25%	24.5%
Agriculture and Vacant Land (c)	16%	16%	16%	16%	16%
Owner Occupied Residential	10%	10%	10%	10%	10%
Leased or Rented Residential	10%	10%	10%	10%	10%
Railroad, Private Car Company And Airline Flight Property (d)	21%	20%	21%	21%	22%

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.
(b) The assessment ratio for Mining, Utility, Commercial and Industrial property will decrease ½% per year, starting from 25% in 2005-06 to 20% in and after 2015-16.
(c) The first $59,099 of full cash value of commercial, industrial and agricultural personal property is exempt from taxation for fiscal year 2006-07. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 24.5% or 16%, as applicable.
(d) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties and agricultural personal property to (ii) the total full cash (market) value of such properties.

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or future legislative sessions. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County.

Delinquent Tax Procedures

The property taxes due to the County are billed, along with State and other taxes, ordinarily in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month unless the full year's taxes are paid by December 31. After the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the tax lien is reoffered for sale from time to time until such time as the taxes, penalties and interest put on the lien is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can be attached against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a taxpayer within the County. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

Property Valuations

The following table lists the various property valuations for the County for the current year.

Valuations for Fiscal Year 2006-07

Estimated Actual Valuation*	$59,890,228,997
Net Secondary Assessed Valuation	$ 6,869,955,457
Net Primary Assessed Valuation	$ 6,467,201,516

* Actual full cash value net of estimated value of property exempt from taxation.

Source: Pima County Assessor's *Abstract of the 2006 Tax Roll for Pima County.*

Net Secondary Assessed Valuation Comparisons and Trends

The information set forth below is shown to indicate the ratio between assessed values and estimated actual values for the County, as well as changes in the secondary assessed valuations of the County and overlapping municipal units on a comparative basis. The basis of property assessment for these years is shown under "Ad Valorem Taxes - Tax Procedures".

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation*	Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation
2006-07	$6,869,955,457	$59,890,228,997	11.47%
2005-06	6,050,950,040	47,971,147,096	12.61%
2004-05	5,620,156,274	43,778,402,824	12.84%
2003-04	5,221,270,997	43,733,555,507	11.94%
2002-03	4,835,561,219	36,999,609,652	13.07%

* Actual full cash value net of estimated value of property exempt from taxation.

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance and Risk Management Department and Pima County Assessor's *Abstract of the 2006 Tax Roll for Pima County.*

Net Secondary Assessed Valuation Comparisons

Fiscal Year	City of Tucson	Percent Change	Pima County	Percent Change	State of Arizona	Percent Change
2006-07	$3,016,230,759	10.77%	$6,869,955,457	13.54%	$54,436,547,031	11.25%
2005-06	2,722,915,853	6.44%	6,050,950,040	7.67%	48,931,946,145	10.05%
2004-05	2,558,231,181	5.40%	5,620,156,274	7.64%	44,461,738,026	8.87%
2003-04	2,427,120,926	6.98%	5,221,270,997	7.98%	40,839,898,348	10.96%
2002-03	2,268,733,334	6.09%	4,835,561,219	7.66%	36,805,206,912	6.76%

Source: Arizona Tax Research Foundation, *Property Tax Rates and Assessed Value*, Pima County Finance and Risk Management Department and Pima County Assessor's *Abstract of the 2006 Tax Roll for Pima County.*

Net Secondary Assessed Valuations of Major Taxpayers

Shown below are the major property taxpayers located within the County, an estimate of their current assessed value and their relative proportion of the County's net secondary assessed value.

Taxpayer (a)	Estimated 2006-07 Net Secondary Assessed Valuation	As Percent of County's 2006-07 Net Secondary Assessed Valuation
Tucson Electric Power Co.	$143,361,816	2.09%
Qwest Corporation	87,092,898	1.27%
Southwest Gas Corporation	62,846,160	0.91%
Phelps Dodge	55,176,116	0.80%
Arizona Portland Cement	22,857,520	0.33%
Raytheon Company	21,665,114	0.32%
Dnd Neffson Co.	19,087,235	0.28%
Starr Pass Resort Developments LLC	17,068,423	0.25%
Scg Tucson Property LLC (Westin Hotel)	15,504,143	0.23%
Trico Electric Co-Op Inc	14,806,148	0.22%
	$459,465,573	6.69%

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at http://www.sec.gov. None of the County, the Underwriter, Bond Counsel nor the Underwriter's Counsel have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Source: Pima County Assessor's office.

Record of Real and Secured Personal Property Taxes Levied and Collected

Property taxes are levied and collected on all taxable property within the County and are certified to by the County Treasurer. The following table sets forth the real and secured personal property tax collection of the County for the current and past five fiscal years.

Fiscal Year	Real and Secured Personal Property Tax Levy	Fiscal Year Collections (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2006-07	$330,240,186	(c)	(c)	$195,161,070	59.10%
2005-06	302,126,724	$292,019,235	96.65%	301,083,253	99.65%
2004-05	281,171,502	271,480,760	96.55%	280,627,752	99.81%
2003-04	260,569,500	250,928,829	96.30%	260,434,326	99.95%
2002-03	241,415,870	231,618,482	95.94%	241,371,757	99.98%
2001-02	228,476,979	218,191,563	95.50%	228,401,055	99.97%

(a) Reflects collections made through June 30th, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches

on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.

(b) Reflects collections made through March 31, 2007 against the current and prior levies.

(c) In the process of collection.

Source: Pima County Treasurer's Office

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the County. As such, the rates are the sum of the primary tax rate, which is levied against the primary assessed value within the County, and the secondary tax rate for debt service payments for general obligation bonds of the County, and for maintenance and operation purposes for the County Library District, the County Fire District Assistance Tax and the County Flood Control District, all of which are levied against the County's secondary assessed value (except in the case of the Flood Control District, which is levied against the District's secondary assessed value which excludes the value of personal property).

Fiscal Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2006-07	$3.8420	$1.4986	$5.3406
2005-06	4.0720	1.3891	5.4611
2004-05	4.0720	1.4247	5.4967
2003-04	4.0720	1.4261	5.4981
2002-03	4.0720	1.4278	5.4998

Source: *Property Tax Rates and Assessed Values,* The Arizona Tax Research Foundation and Pima County Finance and Risk Management Department.

Debt Limitation

Pursuant to the Arizona Constitution, outstanding general obligation debt for County purposes may not exceed 15% of a County's net secondary assessed valuation. The following indicates the County's current bonding capacity after the issuance of the Bonds.

Net Secondary Assessed Valuation (FY 2006-07)	**$6,869,955,457**
15% Constitutional Limitation	1,030,493,318
Net Direct General Obligation Bonds Outstanding	326,310,000
Unused 15% Limitation	$704,183,318

General Obligation Bonded Debt Outstanding

The following chart lists the outstanding general obligation bonded debt of the County.

Date of Issue	Original Amount	Original Purpose	Maturity Dates	Average Int. Rates	Remaining Balance Outstanding
05-01-98	42,420,000	Various Improvements	7-1-99/13	4.620%	$18,795,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	16,115,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	26,000,000
07-01-01	17,835,000	Refunding	7-1-03/09	4.410%	7,610,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	10,000,000
01-15-03	50,000,000	Various Improvements	7-1-03/17	3.900%	40,350,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	53,615,000
05-01-05	65,000,000	Various Improvements	7-1-06/20	3.937%	58,825,000
01-01-07	95,000,000	Various Improvements	7-1-07/21	4.050%	95,000,000
Total General Obligation Bonded Debt Outstanding					$326,310,000

Annual Debt Service Requirements of General Obligation Bonds

The following chart indicates the general obligation debt service requirements of the County.

Fiscal Year June 30	Existing General Obligation Bonded Debt Outstanding		Total Debt Service Requirement
	Principal	Interest	
2007	$36,720,000	$12,028,310	$48,748,310
2008	31,255,000	12,342,680	43,597,680
2009	25,660,000	10,939,280	36,599,280
2010	25,080,000	9,782,230	34,862,230
2011	22,740,000	8,657,200	31,397,200
2012	23,355,000	7,637,850	30,992,850
2013	24,005,000	6,593,800	30,598,800
2014	22,360,000	5,527,200	27,887,200
2015	20,015,000	4,533,675	24,548,675
2016	20,355,000	3,648,806	24,003,806
2017	20,940,000	2,775,300	23,715,300
2018	17,660,000	1,903,100	19,563,100
2019	18,535,000	1,238,088	19,773,088
2020	13,785,000	554,750	14,339,750
2021	3,845,000	115,350	3,960,350

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the County Treasurer's Office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per $100 assessed valuation follows.

Jurisdiction	2006-07 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Portion Applicable to the County		Combined Tax Rate Per $100 Assessed Valuation (e)
			Percent	Net Debt Amount	
State of Arizona	$54,436,547,031	None	100%	None	$0.0000
Pima County	**6,869,955,457**	**$326,310,000**	**100%**	**$ 326,310,000**	**4.9660 (b)**
Pima County Flood Control District (c)	6,113,952,541	2,230,000	100%	2,230,000	0.3746
Elementary School Districts	284,785,948	2,755,000	100%	2,755,000	2.5751 (d)
Unified School Districts	6,573,518,237	586,595,000	100%	586,595,000	6.9627 (d)
Cities and Towns	3,935,967,898	281,134,070	100%	281,134,070	0.9405 (d)
Pima County Community College District	6,869,955,457	61,730,000	100%	61,730,000	1.2515
Total				$1,260,754,07	

Jurisdiction	2006-07 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per $100 Assessed Valuation (e)
State of Arizona	$54,436,547,031	None	None
Pima County	6,869,955,457	$326,310,000	$4.9660
Pima County Flood Control District (c)	6,113,952,541	2,230,000	0.3746
Pima County Community College District	6,869,955,457	61,730,000	1.2515
Elementary School Districts:			
San Fernando ESD #35	831,896	None	3.7481
Empire ESD #37	5,489,030	None	8.4864
Continental ESD #39	249,037,971	2,755,000	2.0682
Redington ESD #44	1,339,389	None	4.8853
Altar Valley ESD #51	28,087,662	None	5.7696
Unified School Districts:			
Tucson USD #1	2,951,009,121	309,160,000	7.3857
Marana USD #6	593,166,842	67,125,000	5.9117
Flowing Wells USD #8	184,631,194	10,730,000	6.8677
Amphitheater USD #10	1,253,084,786	62,380,000	6.1193
Sunnyside USD #12	368,702,550	41,770,000	9.1529
Tanque Verde USD #13	169,903,216	4,335,000	5.4806
Ajo USD #15	15,767,445	None	4.4929
Catalina Foothills USD #16	528,078,948	38,485,000	6.7428
Vail USD #20	324,977,649	27,635,000	6.7032
Sahuarita USD #30	183,013,895	24,975,000	7.7345
Indian Oasis USD #40	1,182,591	None	0.0000
Cities and Towns:			
City of Tucson	3,016,230,759	281,134,070	1.2257
City of South Tucson	20,643,396	None	0.2383
Town of Marana	310,319,014	None	0.0000
Town of Oro Valley	468,769,764	None	0.0000
Town of Sahuarita	120,004,965	None	0.0000

(a) Includes general obligation bonds outstanding. Does not include outstanding principal amount of various cities and towns improvement districts' bonded debt and outstanding principal amount of various County improvement districts' bonded debt, as the indebtedness of these districts is presently being paid from special assessments levied against property owners residing within the various improvement districts. Also does not include various fire districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject

to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State legislation. Federal authorizing legislation was enacted in 2004. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which twelve cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

(b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the $0.3675 tax rate of the Free Library District, and the $0.0415 tax rate of the Fire District Assistance Tax.

(c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.

(d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.

(e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.

(f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County.

Jurisdiction	Authorized But Unissued General Obligation Bonds
Pima County	$478,681,000
Tucson Unified School District No. 1	178,000,000
City of Tucson	39,140,000
Catalina Foothills Unified School District No. 16	7,730,000
Indian Oasis Unified School District No. 40	500,000

Additional general obligation bonds may be authorized by these and other jurisdictions within the County at future elections.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The County's direct and overlapping general obligation bonded debt is shown below on a per capita basis and as a percent of the County's net secondary assessed valuation and estimated actual valuation.

		As Percent of County's 2006-07	
	Per Capita Net Debt (Pop. @ (957,635) (a)	**Secondary Assessed Valuation ($6,869,955,457)**	**Est. Actual Valuation ($59,890,228,997)**
Net Direct General Obligation Bonded Debt ($326,310,000)	$ 340.75	4.75%	0.54%
Net Direct and Overlapping General Obligation Bonded Debt ($1,260,754,070)	$1,316.53	18.35%	2.11%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Economic Security, Population Statistics, July, 2005.

Street and Highway Revenue Bonded Debt Outstanding (a)

The following chart indicates the outstanding street and highway bonds of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
5-01-98	$40,000,000	Street & Highway Improvements	7-1-99/08	$ 8,000,000
1-01-02	55,000,000	Street & Highway Improvements	7-1-03/12	35,735,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	31,900,000
5-01-05	51,200,000	Street & Highway Improvements	7-1-09/20	51,200,000
1-01-07	21,000,000	Street & Highway Improvements	7-1-09/22	21,000,000
Total Street and Highway Revenue Bonds Outstanding				$ 147,835,000

(a) In 2002, the County received two loans totaling $5.1 million from the Highway Expansion and Extension Loan Program (HELP) of the Arizona Department of Transportation. The loans from the HELP program allowed the County to accelerate by several years the completion of two projects that were scheduled to be funded from Federal aid highway revenues in future years. Final payments on each loan which are currently outstanding in the aggregate principal amount of $903,000 are due in January 2007. HELP loans are payable solely from revenues received by the County from the Arizona Highway User Revenue Fund on a basis junior and subordinate to amounts due on the bonds shown above and all parity bonds. In 2006, the County received another HELP loan totaling $4.8 million. Final payment on this loan which is currently outstanding in the aggregate principal amount of $4.8 million is due in June 2009. These loans are in addition to the debt listed in this table.

Sewer Revenue Debt Outstanding

The following chart includes the outstanding sewer revenue debt of the County.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	$11,313,350	Refunding (a)(b)	7-1-97/12	$9,069,388.26
08-06-97	7,500,000	Sewer Improvements (b)	7-1-00/11	3,670,007.52
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	17,655,000.00
10-27-00	61,180,286	Sewer Improvements (b)(c)	7-1-02-16	49,089,531.99
04-01-01	19,440,000	Refunding	7-1-02/15	14,980,000.00
05-01-04	25,770,000	Refunding	7-1-05/15	22,890,000.00
05-11-04	19,967,331	Sewer Improvements (b)(d)	7-1-05/24	18,538,309.17
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	50,000,000.00
Total Sewer Revenue Bonded Debt Outstanding				$185,892,236.94

(a) Represents funds borrowed under separate Loan Agreements with the Water Infrastructure Finance Authority of Arizona ("WIFA").
(b) Proceeds of this loan were used to refund in advance of maturity $5,025,000 of the Sewer Revenue Bonds, Series 1992, $2,845,000 of the Sewer Revenue Bonds, Series 1993 and $2,650,000 of the Sewer Revenue Bonds, Series 1994B. The debt service requirements on the refunded bonds are secured for payment by U.S. Government Securities, which are held in an irrevocable trust.
(c) On October 27, 2000, the County entered into certain Loan Agreements with WIFA totaling $40,000,000. In December 2001, the County amended those Loan Agreements and added an additional $21,180,286.
(d) On May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling $18,015,219. In September 2005, the County amended those Loan Agreements and added an additional $1,952,112. Amounts outstanding are as of November 21, 2006.

Lease, Lease-Purchase and Purchase Agreements

The County has various lease purchase agreements outstanding. A list of the County departments benefited by these agreements and the scheduled payments on these agreements over the past three fiscal years appears below.

	Fiscal Year		
County Department	**2003-04**	**2004-05**	**2005-06**
Clerk of Superior Court	$ 195,417	$146,562	$31,361
Juvenile Court	73,986		
Public Works Building	1,642,680		
Sheriff	42,274	42,274	42,273
Fiscal Year Total	$1,954,357	$188,836	$73,634

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following chart lists the certificates of participation obligations outstanding for the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
09-01-99	$4,875,000	Refunding	1-1-13/14	$ 4,000,000
10-01-03	27,525,000	Refunding	1-1-05/18	24,335,000
Total Certificates of Participation Obligations Outstanding				$28,335,000
Plus: The 2007 Certificates				$30,320,000
Total Certificates of Participation to be Outstanding				$58,655,000

Retirement Plans

A brief description of the various retirement programs in which County employees participate is located in Footnote 10 in the excerpts from the County's Comprehensive Annual Financial Report in Appendix F.

Other Post Employment Benefits

Beginning with the fiscal year that commences on July 1, 2007, the County must implement GASB 45, *Accounting by Employers for Other Post Employment Benefits (OPEB),* which requires reporting the actuarially accrued cost of post-employment benefits, other than pensions, 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, GASB requires the reporting of such costs as a financial statement liability.

County employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided through the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all County employees that reach normal or early retirement age while working for the County will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium; such plan is available to all participants, whether retired or not, in the State's health care program. The County does not currently make payments for OPEB costs for such retirees.

The County has learned that the State may commission an actuarial valuation of the OPEB costs associated with the health care programs available to retirees through the State in order to meet the requirements of GASB 45. It is presently undetermined by the County what impact, if any, such valuation may have on the County's future financial reporting as required by GASB 45. Or, as the health care programs are administered at the State level, whether there will be any financial reporting impact of GASB 45 at the County level.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual					Budget
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (a)
Revenues by Source:						
Taxes	$244,807	$258,375	$279,527	$300,972	$321,474	$350,440
Special Assessments	598	1,023	505	244	215	291
Licenses and Permits	6,077	6,087	6,566	7,265	7,452	7,739
Intergovernmental	260,218	245,378	273,225	278,414	291,059	295,121
Charges for Services	31,112	35,721	43,505	53,568	63,582	63,526
Fines and Forfeits	4,882	5,047	5,010	5,967	6,014	6,846
Interest Income	6,952	4,152	2,656	5,181	11,379	7,651
Miscellaneous	8,143	10,356	11,918	14,806	13,165	16,124
Total Revenues	$562,789	$566,139	$622,912	$666,417	$714,340	$747,738
Expenditures by Fund:						
General	285,486	308,917	323,591	372,899	402,811	439,535
Special Revenues	153,888	149,633	161,716	160,614	170,696	223,126
Debt Service	48,102	57,563	60,828	56,067	66,829	73,419
Capital Projects	109,670	97,147	103,167	127,632	121,007	155,902
Total Expenditures	$597,146	$613,260	$649,302	$717,212	$761,343	$891,982
Excess of Revenues Over (Under) Expenditures	(34,357)	(47,121)	(26,390)	(50,795)	(47,003)	(144,244)
Proceeds of Long-Term Debt	82,717	85,247	65,148	116,450	4,836	120,000
Proceeds of Refunding Bonds	22,420	0	6,880	0	0	0
Payment to Refunded Bond Escrow Agent	(22,551)	0	(6,846)	0	0	0
Gain on Investment	0	0	0	0	3	0
Operating Transfers In (Out)	(12,905)	(15,140)	(21,333)	3,046	3,685	613
Capital Leases	0	177	0	0	231	0
Sale of General Fixed Assets	590	37	406	27	416	0
Beginning Fund Balance, as restated	110,664	147,803	165,395	182,894	252,007	213,998
Restatement Adjustment/LGIP Loss	1,175	(6,237)	0	0	0	0
Changes in Reserve for Inventory	64	629	(379)	398	(188)	0
Charges in Reserve for Prepaid	(14)	0	13	(13)	11	0
Ending Fund Balance	$147,803	$165,395	$182,894	$252,007	$213,998	$190,367

(a) Obtained from the FY 2006-07 Adopted Budget, except for the beginning fund balance which was based on the actual June 30, 2006 fund balance rather than the estimated fund balance contained in the budget adopted before that date. These amounts are estimated data and are subject to change based on final audited results.

Source: Pima County Finance and Risk Management Department. This table has not been the subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
STATEMENT OF FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
(In $000)

	Actual					Budget
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 (a)
General						
Reserved	$ 2,486	$ 2,549	$7,068	$4,056	$5,152	
Unreserved	28,656	30,999	25,628	33,171	46,423	
	31,142	**33,548**	**32,696**	**37,227**	**51,575**	**28,736**
Special Revenue						
Reserved	2,570	3,623	3,399	2,742	5,111	
Unreserved	61,134	42,312	45,325	54,232	64,961	
Designated					1,044	
	63,704	**45,935**	**48,724**	**56,974**	**71,116**	**43,024**
Debt Service						
Reserved	5,964	3,078	4,202	10,004	6,673	
Unreserved				152	162	
	5,964	**3,078**	**4,202**	**10,156**	**6,835**	**5,883**
Capital Projects						
Reserved	8	41	2	0	0	
Unreserved	46,985	82,793	97,270	147,650	84,472	
	46,993	**82,834**	**97,272**	**147,650**	**84,472**	**112,724**
Total Fund Balance	$147,803	$165,395	$182,894	$252,007	$213,998	$190,367

(a) Amount calculated utilizing the revenues and expenditures presented in the FY 2006-07 Adopted Budget plus the actual June 30, 2006 ending fund balance for each fund. Pima County does not budget the ending fund balance at a detailed level; therefore, only the calculated ending fund balance totals are presented. These amounts are estimated data and are subject to change based on final audited results.

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE
(In $000)

	Actual					Budget
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07(a)
Revenues by Source:						
Taxes	$181,840	$194,552	$209,672	$225,959	$242,948	$253,565
Licenses and Permits	2,071	2,010	2,166	2,350	2,536	2,473
Intergovernmental	111,922	112,530	120,058	125,203	143,982	145,517
Charges for Services	19,974	23,750	24,133	24,905	27,102	30,648
Fines and Forfeits	3,898	4,111	4,023	5,035	5,786	5,495
Interest	2,086	1,015	530	1357	2,491	1,623
Miscellaneous	1,995	2,884	2,132	4,435	4,935	3,732
Total Revenues	323,786	340,852	362,174	389,244	429,780	443,053
Expenditures:						
Current						
General Government	101,397	110,813	120,755	160,378	168,394	200,813
Public Safety	86,039	90,375	100,650	84,694	96,687	103,697
Sanitation	0	0	0	0	0	0
Health	2,567	2,762	2,898	2,189	2,401	2,579
Welfare	73,060	84,130	76,619	96,996	102,496	98,146
Culture & Recreation	13,453	12,858	14,448	11,236	13,104	14,338
Education & Econ. Opport.	5,299	4,812	5,578	14,637	16,682	16,942
Debt Service:						
Principal	1,913	1,550	1,610	1,440	1,750	1,785
Interest	1,754	1,613	1,030	1,324	1,292	1,230
Miscellaneous	4	4	3	5	5	5
Total Expenditures	285,486	308,917	323,591	372,899	402,811	439,535
Excess of Revenues Over (Under) Expenditures	38,300	31,935	39,123	16,345	26,969	3,518
Other Financing Sources (uses):						
Proceeds of Long-Term Debt	0	0	0	0	0	0
Sale of General Fixed Assets	0	0	2	8	22	0
Operating Transfers In (Out)	(29,624)	(27,799)	(39,977)	(11,822)	(12,643)	(26,357)
Total Other Financing Sources (Uses):	(29,624)	(27,799)	(39,975)	(11,814)	(12,621)	(26,357)
Excess of Revenues and Other Sources						
Extraordinary item:						
Loss from State Treasurer's Local Government Investment Pool	0	(1,730)	0	0	0	0
Over (Under) Expenditure and Other Uses	8,676	2,406	(852)	4,531	14,348	(22,839)
Beginning Fund Balance, as restated	22,466	31,142	33,548	32,696	37,227	51,575
In (Out)	0	0	0	0	0	0
Ending Fund Balance	$ 31,142	$ 33,548	$ 32,696	$ 37,227	$51,575	$28,736

(a) Obtained from the FY 2006-07 Adopted Budget, except for the beginning fund balance which was based on the actual June 30, 2006 fund balance rather than the estimated fund balance contained in the budget adopted before that date. These amounts are estimated data and are subject to change based on final audited results.

Source: Pima County Finance and Risk Management Department. This table has not been the subject of any separate audit procedures.

APPENDIX C

SUMMARY OF LEGAL DOCUMENTS

As described below under "Trust Agreement - The Certificate Insurer as Owner", Ambac Assurance Corporation, as the Certificate Insurer for the 2007 Certificates, has the right to consent on behalf of the Owners of the 2007 Certificates (with limited exceptions) to amendments to the Financing Documents without notice to or consent of such Owners.

The following are brief summaries of the provisions of the Financing Documents together with certain definitions in the Financing Documents not defined elsewhere in the Official Statement. These summaries are not intended to be definitive. Reference is made to the complete documents for the complete terms thereof. Copies of the documents are available as set forth in the Official Statement under the heading "INTRODUCTORY STATEMENT."

CERTAIN DEFINITIONS

"2007 Certificates" shall mean, collectively, the 2007-A Certificates and the 2007-B Certificates.

"2007-A Certificates" shall mean the $28,765,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, to be executed and delivered pursuant to the Trust Agreement

"2007-B Certificates" shall mean the $1,555,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B, to be executed and delivered pursuant to the Trust Agreement.

"Additional Certificates" shall mean additional certificates issued subsequent to the 2007 Certificates pursuant to the Trust Agreement.

"Additional Rent" shall mean any payments required to be made by the County pursuant to the Lease, in addition to the Lease Payments.

"Aggregate Value" shall mean, with respect to the Certificates, the Outstanding principal amount thereof.

"Business Day" shall mean a day of the year other than (a) a Saturday or Sunday or (b) a day on which banking institutions located in the city designated by the Trustee for the presentation and payment of Certificates are required or authorized to remain closed or (c) a day on which the Certificate Insurer is closed..

"Certificate Insurance Policy" shall mean, as applicable, (a) with respect to the 2007 Certificates, the financial guaranty insurance policy issued by Ambac Assurance Corporation, insuring payment of the principal of and interest with respect to the 2007 Certificates, and (b) with respect to Additional Certificates, the insurance policy issued by the Certificate Insurer therefor, insuring payment of the principal of and interest with respect to such Additional Certificates.

"Certificate Insurer" shall mean, as applicable, (a) with respect to the 2007 Certificates, Ambac Assurance Corporation, and (b) with respect to Additional Certificates, the issuer of the Certificate Insurance Policy therefor.

"Certificates" shall mean the 2007 Certificates, and any other Additional Certificates.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

"Community Services Department Facilities" shall mean the replacement facilities for the County's Community Services Department on a parcel of real property presently owned by the County and located in the City of South Tucson, Pima County, Arizona.

"Defeasance Obligations" shall mean (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the following clause) and (ii) obligations of, or obligations guaranteed as to principal and interest by, the United Stated of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including (A) United States Treasury obligations, including State and Local Government Series, and (B) all direct or fully guaranteed obligations of the Farmers Home Administration, General Services Administration, Guaranteed title XI financing, and Government National Mortgage Association (GNMA). Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"Delivery Costs Fund" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Event of Default" shall mean (a) an event of default under the Lease, as defined in Section 9.1 thereof, (b) if the Lease has been terminated because the County fails to obtain proper budgeting and appropriation of the full amount of funds necessary to make all Lease Payments for any fiscal period, as described in the Lease, and the Lease has not been reinstated as provided therein, or (c) the failure of the Trustee to receive from the County an amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due.

"Existing Facility" shall mean all improvements located on the Site on the date of initial delivery of the 2007 Certificates, including the office tower and all related real and personal property.

"*Fiscal Period*" shall mean a period of 12 consecutive months commencing on the first day of July and ending on the last day of June, or any other consecutive 12-month period which may be established hereafter as the fiscal year of the Lessee for budgeting and appropriation purposes.

"Ground Lease" shall mean the Ground Lease, dated as of May 1, 2007, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto.

"*Improvements*" shall mean the improvements to be acquired, constructed and equipped for the Existing Facility and all related property, improvements, equipment and facilities financed with the proceeds of sale of the 2007 Certificates, as described in the Trust Agreement.

"Insurance and Condemnation Fund" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Interest Payment Date" shall mean each of the dates on which interest is due and payable with respect to the Certificates as provided in the Trust Agreement.

"Lease" shall mean the Lease-Purchase Agreement, dated as of May 1, 1997, by and between the County and the Lessor, together with any duly authorized and executed amendment thereto, including the Second Amendment to Lease-Purchase Agreement.

"Lease Payment" shall mean all payments required to he paid by the County pursuant to the Lease which are applied to the payment of the principal and interest represented by the Certificates.

"Lease Payment Fund" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Leased Property" shall mean, collectively, the Site and the Existing Facility thereon and the Improvements, as described in the Lease.

"Net Proceeds" shall mean any insurance proceeds (other than proceeds of any insurance policy resulting from liability to a third person for damages for bodily and personal injury, death or property damage connected with the construction or operation of the Leased Property) or condemnation award in excess of $100,000, paid with respect to the Leased Property, or any proceeds resulting from the sale of the Leased Property following an Event of Default, remaining after payment therefrom of all expenses incurred in the collection thereof.

"Original Purchaser" shall mean RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets, as the original purchaser of the 2007 Certificates.

"Outstanding", when used with reference to the Certificates, shall mean, as of any date of determination, all Certificates theretofore executed and delivered except:

(a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Certificates which are deemed paid and no longer Outstanding as provided in the Trust Agreement;

(c) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions of the Trust Agreement relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and

(d) Certificates owned or held by or for the account of the Lessee or by any person directly or indirectly controlled by, or under direct or indirect common control with the Lessee (except any Certificates held in any pension or retirement fund), for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement.

"Owner" or *"Certificate Owner"* or *"Owner of a Certificate"*, or any similar term, when used with respect to a Certificate shall mean the person in whose name such Certificate shall be registered.

"Permitted Encumbrances" shall mean, as of any particular time (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Lease, permit to remain unpaid, (ii) the Lease, (iii) the Ground Lease, (iv) the Trust Agreement, (v) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist as of the date of issuance of the Certificates and which the County certifies in writing shall not materially impair the use of the Leased Property for purposes of the Lease or the security granted to the Trustee in the Trust Agreement, and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor and the County and the Certificate Insurer consent in writing.

"Permitted Investments" shall mean and include the following investments (to the extent permitted by law):

(a) Defeasance Obligations.

(b) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: (A) the Export Import Bank of the United States, (B) the Rural Economic Community Development Administration (formerly the Farmers Home Administration), (C) the U.S. Maritime Administration, (D) the Small Business Administration, (E) the U.S. Department of Housing and Urban Development (PHA's), (F) the Federal Housing Administration, and (G) the Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or the Freddie Mac, (B) obligations of the Resolution Funding Corporation (REFCORP), (C) senior debt obligations of the Federal Home Loan Bank System, and (D) senior debt obligations of other government-sponsored agencies approved by the Certificate Insurer.

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's, and which matures not more than 270 days after the date of purchase.

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(g) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P or Moody's or any successors thereto, or

(ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of obligations described in clause (B) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally-recognized independent certified public accountant or firm of such accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (vii) on the maturity or redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) General obligations of any state of the United States of America rated at least "A2/A" or higher by both S&P and Moody's

(i) Investment agreements and other forms of investments, including repurchase agreements, approved in writing by the Certificate Insurer (in the case of investment agreements, with appropriate opinions of counsel) with notice to S&P.

(j) Such other investments as are approved in writing by the Certificate Insurer.

"Prepayment" shall mean any payment applied towards the prepayment of the Lease Payments, in whole or in part, pursuant to the Lease.

"*Project Agreement*" shall mean the Project Agreement, dated as of May 1, 2007, between the County and the Trustee, together with any amendment thereof or supplement thereto permitted by the Trust Agreement.

"Project Costs" shall mean the price paid or to be paid by the Lessor to cause the acquisition and construction of the Leased Property in accordance with the Project Agreement and the acquisition and construction of the Community Services Department Facilities, together with all other costs and expenses incidental to such acquisition and construction.

"*Project Fund*" shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Qualified Self-Insurance" shall mean any program of self-insurance regarding which the Trustee has received a written evaluation of an independent insurance consultant or actuarial consultant having a favorable reputation for skill and experience and an opinion of such consultant that adequate reserves for such program are either maintained with an independent corporate trustee or otherwise held with appropriate safeguards to insure their availability. Notwithstanding the foregoing, any self-insurance program maintained by the County in accordance

with Arizona Revised Statutes Sections 11-981, 11-952.01 and 11.952.02 or their successors, shall be deemed to be Qualified Self-Insurance under the Lease.

"*Site*" shall mean that certain real property and appurtenant parking easement situated in Pima County, Arizona, being leased by the Trustee to the County pursuant to the Lease, together with all improvements existing thereon at the time of execution of the Lease, including the Existing Facility.

"State" shall mean the State of Arizona.

"Tax Compliance Certificate" shall mean any agreement or certificate of the County which the County may execute in order to establish and maintain the exclusion from gross income for federal income tax purposes of the interest component to the Lease Payments payable with respect to the 2007-A Certificates.

"Term of the Lease" shall mean the time during which the Lease is in effect, as provided therein.

"Trust Agreement" shall mean the Trust Agreement, dated as of May 1, 2007, between the Trustee, and the County, together with any amendments or supplements thereto permitted to be made thereunder.

LEASE

Lease of Leased Property

The Lessor has agreed to lease the Leased Property to the County pursuant to the Lease. The term of the Lease, began on the date of delivery of the 2007 Certificates, and continues until July 1, 2022, unless terminated prior thereto as provided therein.

Upon the County's failure to obtain, on or prior to the last date on which the County is required or permitted to adopt its budget for a fiscal year of the full amount of funds necessary to make all Lease Payments coming due during the fiscal period for which such budgeting and appropriation are made all of the County's right, title and interest in and future obligations under the Lease and to all of the Leased Property shall terminate (subject to reinstatement within 45 days of such terminate date), effective as of the last day of the last fiscal period for which such budgeting and appropriation were properly obtained.

Lease Payments; Additional Rent; Reduction of Rental

The County has agreed to pay the Lease Payments as rental for the use and occupancy of the Leased Property, which shall be paid in arrears on June 15 and December 15 of each year.

The amount of Lease Payments shall be reduced upon the redemption of Certificates resulting from Prepayment of Lease Payments, including those resulting from damage or destruction (other than by eminent domain which is hereinafter discussed), of the Leased Property causing substantial interference with the use and occupancy thereof by the County. The Lease Payments shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates (after any redemption of Certificates resulting from such Prepayments made with the Net Proceeds of insurance coverage for such damage or destruction), which resulting Lease Payments are deemed to represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. In the event of any such reduction, the Lease shall continue in full force and effect and the County shall waive any right to terminate the Lease by virtue of any damage and destruction of the Leased Property causing such reduction in Lease Payments.

In addition to Lease Payments, the County has agreed to pay when due as Additional Rent (a) all costs and expenses of the Lessor or the Trustee to comply with the provisions of the Trust Agreement, (b) payments required to be deposited into the Rebate Fund pursuant to the Trust Agreement to make certain arbitrage rebate payments to the federal government, (c) compensation and expenses of the Trustee, (d) certain indemnification amounts (e) all costs and expenses of auditors, engineers and legal counsel, and (f) all rent for any holdover period during which the County stays in possession of the Leased Property after termination of the Lease.

Maintenance, Utilities, Taxes and Modifications

The County, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Lessor has no responsibility for such repair. The County has the power to make additions, modifications and improvements to the Leased Property which do not damage or reduce their value to a value substantially less than that which existed prior to such modification or improvement. Any such additions, modifications or improvements shall automatically become subject to the Lease. The County must pay or cause to be paid all taxes, other governmental charges and utility charges with respect to the Leased Property, as well as any taxes and assessments, if any, which it is legally obligated to pay.

Insurance

The Lease requires the County to maintain or cause to be maintained the following insurance against risk or physical damage to the Leased Property and other risks for the protection of the Certificate Owners and the Trustee:

(i) General Liability. The County shall maintain or cause to be maintained, throughout the term of the Lease through Qualified Self-Insurance or a standard commercial general insurance policy or policies with a responsible insurance company or companies authorized under the laws of the State to assume such risks, of such types and in such amounts as are then customary for similar institutions carrying on similar activities to those carried on the Leased Property.

(ii) Fire and Extended Coverage, Vandalism and Malicious Mischief. The County shall maintain or cause to be maintained, throughout the term of the Lease, insurance or Qualified Self-Insurance against loss or damage to any structure or equipment constituting any part of the Leased Property by fire and lightning, with extended coverage and malicious mischief insurance. Coverage shall be in an amount equal to 100% of the replacement cost of the Leased Property. Such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss.

The insurance described in paragraphs (i) and (ii) may be maintained as part of or in conjunction with any other liability or fire and extended coverage for insurance, respectively, carried or required to be carried by the County and may be maintained in the form of Qualified Self-Insurance by the County.

(iii) Title Insurance. The County will provide a title insurance policy in the amount of the aggregate principal amount of the 2007 Certificates, insuring the Trustee's estate in the Leased Property, subject only to Permitted Encumbrances.

All policies of insurance (except the policy of general liability insurance) must provide that the Net Proceeds thereof shall be payable to the Trustee. The Net Proceeds of fire and extended coverage insurance shall be deposited in the Insurance and Condemnation Fund and applied to restore, replace, repair, modify or improve the Leased Property or to the prepayment of Lease Payments and the corresponding redemption of Certificates. See "TRUST AGREEMENT -- Funds - Insurance and Condemnation Fund". The Net Proceeds of general liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The proceeds of title insurance shall be deposited in the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding redemption of Outstanding Certificates. The County has agreed to pay or cause to be paid when due the premiums on all insurance policies and furnish evidence of such payments promptly to the Trustee and the Certificate Insurer. Upon receipt by the Trustee of any notice of expiration, cancellation or reduction of any insurance policy required to be maintained on the Leased Property pursuant to the Lease, the Trustee shall notify the Certificate Insurer of the same.

In the event the County maintains Qualified Self-Insurance for general liability insurance and fire and extended coverage insurance required under the Lease, the County shall cause to be delivered to the Trustee and the Certificate Insurer annually the documentation required for the determination that such self-insurance constitutes Qualified Self-Insurance. Additionally, to the extent the Trustee may not be named as an insured or loss payee under any insurance or Qualified Self-Insurance, the County assigns to the Trustee its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective rights under the Lease appear

on the date of payment. The County shall furnish an annual certificate to the Trustee stating that the insurance in effect meets the requirements of the Lease.

Eminent Domain

If all of the Leased Property shall be taken permanently under the power of eminent domain, the term of the Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) the Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties thereto waive the benefit of any law to the contrary, and (ii) there shall be a partial reduction of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the Prepayment of the Lease Payments, which shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates, which represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. See "Lease -- Lease Payments; Additional Rent; Reduction of Rental."

The County has agreed, to the extent permitted by law, to not enter into any settlement agreement with a governmental entity bringing condemnation proceedings without the consent of the Certificate Insurer and to use its best efforts to obtain any condemnation award in an amount at least equal to the amount of Outstanding Certificates plus accrued interest.

Option to Purchase Leased Property

The County has the option to purchase all of the Leased Property by prepaying the Lease Payments in whole at any time at the prices set forth in the Lease. In the event that the County elects to exercise its option prior to the optional redemption dates of the Certificates, the County is required to make such Prepayment by depositing Defeasance Obligations and cash, if required, sufficient, together with earnings on the investment thereof to pay and redeem the appropriate amount of Certificates. The optional prepayment prices have been determined such that all of the Outstanding Certificates shall be retired in the event the County elects to purchase all of the Leased Property.

The County may on any date secure the payment of Lease Payments with respect to any element of the Leased Property by deposit with the Trustee of Defeasance Obligations and cash, if required, in such amount as shall, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Permitted Investments then on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund related to the Lease Payments with respect to such Leased Property, be fully sufficient to pay all unpaid Lease Payments and Additional Rent with respect to such Leased Property on the respective Lease Payment Dates or on the applicable date for Prepayment of Lease Payments, as the County instructs at the time of said deposit.

Assignment; Subleases

With the exception of tenant leases in place at the time of execution and delivery of the 2007 Certificates, or renewals or extensions thereof, the County may not assign any of its rights in the Lease, and may not sublease all or a portion of the Leased Property without the written consent of the Trustee and the Certificate Insurer and only under the conditions contained in the Lease, including the condition that such sublease not adversely affect the exclusion of the interest components of the Lease Payments from federal gross income when paid to the Owners of the 2007-A Certificates.

Events of Default

Each of the following constitutes an "event of default" under the Lease:

(i) Failure by the County to make any Lease Payment or other payment required under the Lease when due and continuation of such failure for two (2) days; or

(ii) Failure by the County to comply with any covenant, agreement or condition contained in the Lease or the Trust Agreement, other than default described in above, and the continuance of such failure or default for a period of 30 days after written notice thereof has been given to the County by the Trustee, the lessor, the Certificate Insurer or the Owners of not less than 5% in aggregate principal amount of Certificates then Outstanding; provided, if the failure stated in the notice can be corrected, but not within such 30 day period, the Trustee, the Lessor, the Certificate Insurer and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within such 30 day period and diligently pursued until the default is corrected; or

(iii) Any representation or warranty made by the County under the Lease shall be untrue in any material respect; or.

(iv) Certain events relating to bankruptcy of the County or the inability of the County to pay its debts.

Notwithstanding the foregoing, if, by reason of Force Majeure, the County is unable to perform or observe any agreement, term or condition of the Lease, other than any obligation to make Lease Payments or Additional Rent, the County shall not be deemed in default during the continuance of such inability. However, the County shall promptly give notice to the Trustee of existence of any event of Force Majeure and shall use its best efforts to remove the effects thereof; provided that the settlement of strike or labor disturbances shall be entirely within the County's discretion.

The term "Force Majeure" shall mean, without limitation: Acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the Untied States or any of its departments, agencies, political subdivisions, courts or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lighting; earthquakes; fire; hurricanes; tornados; storms; droughts; floods; arrests; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation.

Upon the occurrence and continuance of any event of default, the Lessor may at its option elect to terminate the Lease or, with or without such termination, to re-enter, take possession of the Leased Property, to the exclusion of the County, and sell, convey, re-rent or re-let the Leased Property. Any amounts collected by the Lessor from the sale or reletting of the Leased Property shall be credited towards the County's unpaid Lease Payments. Any net proceeds of re-lease or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date. Pursuant to the Trust Agreement, the Lessor assigns all of its rights with respect to remedies in an event of default to the Trustee, so that all such remedies shall be exercised by the Trustee and the Certificate Owners as provided in the Trust Agreement.

Notwithstanding any of the foregoing, but subject to the Trustee's rights under the Trust Agreement to receive indemnification for expenses incurred in pursuing remedies, so long as the Certificate Insurer is not in default of its payment obligations under the Certificate Insurance Policy and such Certificate Insurance Policy or Policies are in effect, the Certificate Insurer, acting alone, will have the right to direct the Trustee to pursue any remedy provided for in the Lease and the Trustee will not pursue any remedy except with the prior consent of the Certificate Insurer. The Trustee will not waive any default or event of default under the Lease without the prior consent of the Certificate Insurer.

TRUST AGREEMENT

The Certificate Insurer as Owner

So long as an Certificate Insurer of a series of Certificates is not in default on its payment obligations under its Certificate Insurance Policy or Policies, such Certificate Insurer shall be deemed to be an Owner of a sufficient percentage of the respective Outstanding Certificates of such series to (i) initiate any action or effect any demand which Owners of such series may initiate or effect, and (ii) approve or disapprove any action, forbearance or amendment which is subject to approval of or initiation by the Owners of such series of Certificates.

Pledge and Security

Pursuant to the Trust Agreement, the Trustee is authorized and directed to acquire, to receive and to hold as security for the Owners of the Certificates, the following:

A. All right, title and interest of the Lessor in and to the Leased Property; subject, however, to the rights of the County under the Lease.

B. All right, title and interest of the Lessor in and to the Ground Lease, the Lease and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement thereof, and (iii) do any and all things which the Lessor is or may become entitled to do thereunder.

C. All right, title and interest of the Lessor in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Trust Agreement (other than the Rebate Fund).

The Trust Agreement also represents a declaration by the Trustee that it holds the above rights and interests in trust for the benefit of the Owners of the Certificates.

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to execute and deliver the Certificates and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the County's instructions.

Funds

The Trust Agreement creates the Project Fund, the Delivery Costs Fund, the Lease Payment Fund and the Insurance and Condemnation Fund to he held in trust by the Trustee.

Project Fund. There shall be deposited into the Project Fund (after certain deposits are made to the Delivery Costs Fund) amounts necessary to acquire and improve the Leased Property and the Community Services Department Facilities. Other than amounts disbursed immediately to acquire the Existing Facility, money deposited in the Project Fund will be disbursed by the Trustee, upon written order of the County representative, to pay such costs.

Delivery Costs Fund. There shall be deposited in the Delivery Costs Fund amounts necessary to pay costs relating to the execution, sale and delivery of 2007 Certificates, which amounts shall be disbursed by the Trustee, upon the written order of the County.

Lease Payment Fund. There shall be deposited into the Lease Payment Fund, when received by the Trustee, all Lease Payments and Prepayments. Moneys on deposit in the Lease Payment Fund shall be used to pay principal of, redemption premiums, if any, and interest on the Certificates.

Insurance and Condemnation Fund. Any Net Proceeds of insurance or condemnation awards in excess of $100,000 shall be deposited in the Insurance and Condemnation Fund. Moneys on deposit, in the event of an insurance award, shall be used, as directed by the County, either to replace, repair or improve the Leased Property or be transferred to the Lease Payment Fund and applied to the Prepayment of the Certificates. However, if the Leased Property is destroyed in full, such Net Proceeds may only be used to prepay Lease Payments if they are sufficient, together with other available moneys, to fully prepay the Certificates. If such moneys are not so sufficient, they shall be used to replace, repair or improve the Leased Property.

Net Proceeds of a condemnation award shall be used as follows: (i) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such eminent domain

proceedings have not materially affected the operation of any of the Leased Property or the County's ability to meet its obligations under the Lease, and if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the Lease Payment Fund as a credit against Lease Payments, (ii) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceedings have not materially affected the operations of any of the Leased Property or the County's ability to meet its obligations under the Lease and such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the order of the County such portion of the proceeds required for such repair, rehabilitation or replacement, (iii) to prepay Lease Payments and redeem Certificates if less than all of the Leased Property is taken and the Trustee determines that such proceedings have materially affected the operation of the Leased Property or the County's ability to meet its obligations under the Lease, or (iv) if all of the Leased Property is taken, to prepay Lease Payments and thereby redeem Certificates.

Any moneys in the Insurance and Condemnation Fund (including investment earnings) remaining after the repair, replacement or improvement of the Leased Property is completed shall be paid to the County.

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement upon order of a representative of the County in Permitted Investments. Except as otherwise provided, any earnings on investment of moneys in the funds created under the Trust Agreement shall be transferred at least semi-annually to the Lease Payment Fund. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, shall be repaid to the County,

Event of Default; Acceleration

Upon the occurrence of an Event of Default, the Trustee, upon the prior written consent of the Certificate Insurer or at the written direction of the Certificate Insurer, and in any event if the Certificate Insurer is in default on its payment obligations under a Certificate Insurance Policy, shall take action to exclude the County from the Leased Property and may, with the prior written consent of the Certificate Insurer, and upon the request of the Certificate Insurer or, if the Certificate Insurer is in default on its payment obligations under a Certificate Insurance Policy, upon the request of the Owners of at least 5% in Outstanding principal amount of the Certificates, shall exercise any and all remedies available at law or pursuant to the Lease including declaring the Certificates then Outstanding to be immediately due and payable; provided however that no such acceleration shall change or otherwise affect the County's obligation to make Lease Payments and Additional Rent only during the term of the Lease and at the amounts and times provided therein. The Owner of any Certificate may institute any suit, action, or other proceedings in equity or at law for the protection or enforcement of any right under the Lease or Trust Agreement if and only if (i) such Owner has given written notice to the Trustee of such Event of Default, (ii) a majority of Certificate Owners have first notified the Trustee in writing of the event of default and made written request of the Trustee to exercise such powers, (iii) the Trustee shall have been offered reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, (iv) the Trustee shall have refused or omitted to comply with such request 60 days following receipt of such written request and such tender of indemnity, and (v) the Certificate Insurer shall have consented to such suit, action or proceeding; provided, however, the Certificate Insurer's consent is not required if the Certificate Insurer is in default on its payment obligations under a Certificate Insurance Policy.

Amendment

The Trust Agreement, the Ground Lease or the Lease may be amended by agreement among the parties thereto with the consent of the Certificate Insurer and without the consent of the Owners of the Certificates but only (i) 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 Trust Agreement to the Lessor or the County, (ii) to cure, correct or supplement any ambiguous or defective provision, (iii) in regard to questions arising thereunder, which shall not, in the judgment of the Trustee, materially adversely affect the interest of the Owners, or (iv) to provide additional terms and conditions in connection with the issuance of Additional Certificates, which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners. Any other amendment shall require the approval of the Certificate Insurer and the Owners of a majority in principal amount of the Certificates then Outstanding; provided that no such amendment shall (i) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal

or premium payable on, any Certificate without such owner's consent, (ii) reduce the percentage of Owners of Certificates required to consent to any amendment or modification, or (iii) modify any of the Trustee's rights or obligations without its consent.

Defeasance

Upon payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit of Defeasance Obligations with the Trustee sufficient together with other available funds, without reinvestment, to retire the Certificates at or before maturity, the Trust Agreement shall be terminated, except for the obligations of the Trustee to make payments on the Certificates.

Any Certificate or portion thereof in authorized denominations may be paid as provided in the preceding paragraph; provided, however, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions of the Trust Agreement or the County shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; and provided further, that if any such Certificate or portion thereof shall not mature or be redeemed within 60 days of the deposit of the moneys or the respective Defeasance Obligations referred to in the preceding paragraph, the Trustee shall give notice of such deposit by first class mail to the Owners.

THE PROJECT AGREEMENT

The County assigns, conveys, transfers and sets over to the Lessor all of the County's rights and interest in and to the Improvements and in and to certain purchase contracts, construction contracts and purchase orders (the "Contracts") including the right to (i) acquire each item of Improvements pursuant to the Contracts, (ii) take title to such Improvements, (iii) be named the purchase in any bill or bills of sale to be delivered by various sellers and suppliers (the "Contractors") pursuant to the Contracts, (iv) all claims for damages with respect to each item of Improvements arising as a result of any default by the Contractors, and (v) any and all rights of the County to compel performance of the terms of the Contracts with respect to such Improvements. With respect to each item of Improvements, so long as such item of Improvements shall be subject to the Lease and the County shall be entitled to possession of such Improvements thereunder, the County hereby reserves (I) the rights under all warranty and indemnity provisions contained in the Contracts, and (II) the right to amend, modify or supplement the Contracts; provided that the Contracts as amended, modified or supplemental still provide for the construction, acquisition and delivery of the Improvements.

The Lessor agrees, subject to the delivery of the invoices provided in the Project Agreement and other conditions in the Lease, that the Lessor shall pay or cause to be paid to the respective contractors the cost of the Improvements then to be purchased constituting the invoice price of such Improvement. The Lessor shall have no obligation to make the foresaid payments otherwise than from funds deposited with the Trustee, pursuant to the Trust Agreement.

THE GROUND LEASE

The County leases the Existing Facility to the Lessor, in its capacity as trustee under the Trust Agreement, and the Lessor leases such Existing Facility from the County for the period commencing as of the date of the Ground Lease and terminating on July 1, 2022 provided, that in no event shall the lease of the Existing Facility terminate before the termination of the Lease.

Under the Lease, the Lessor shall agree to lease the Existing Facility along with any Improvements thereon to the County.

Title to the Existing Facility and the Improvements shall at all times remain with the County, subject to the terms of the Ground Lease and the Lease.

The Lessor prepays its rental payments under the Ground Lease upon execution and delivery of the Ground Leases in connection with the execution and delivery of the 2007 Certificates.

The County shall have the right to terminate the Ground Lease upon written notice to the Lessor of (a) defeasance of the Lease and the Trust Agreement as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

May 1, 2007

Pima County, Arizona
Tucson, Arizona

Re: $30,320,000 Pima County, Arizona
Certificates of Participation (Justice Building Projects), Series 2007-A and Taxable 2007-B

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the execution and delivery by U.S. Bank National Association (the "Bank"), as trustee (the "Trustee") of $28,765,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, dated as of May 1, 2007 (the "2007-A Certificates") and $1,555,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B, dated as of May 1, 2007 (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates"), executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between Pima County, Arizona (the "County") and the Trustee, and relating to a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease Agreement"), between the Bank, as lessor, and the County.

The documents in the Transcript examined include executed counterparts of. (i) the Ground Lease, dated as of May 1, 2007 (the "Ground Lease"), between the County, as lessor, and the Bank, as lessee, (ii) the Lease Agreement, and (iii) the Trust Agreement, We also have examined a conformed copy of the 2007-A Certificates and the Taxable Series 2007-B Certificates.

The Ground Lease, the Lease Agreement and the Trust Agreement are referred to collectively as the "County Documents."

The 2007 Certificates each represent undivided and proportionate interests in the obligations of the County under the Lease Agreement. The County has agreed to lease certain real and personal property from the Bank, as lessor, under the Lease Agreement.

Based upon our examination, we are of the opinion that, under existing law:

1. The County is duly organized and validly existing under the laws of the State of Arizona, and has all requisite power to enter into and perform its obligations under the County Documents.

2. The County Documents each have been duly authorized, executed and delivered by the County, and assuming due authorization, execution and delivery thereof by the other parties thereto, constitute legal, valid and binding obligations of the County enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws generally affecting the enforcement of creditors' rights and to principles of equity in the event equitable remedies are sought.

3. The 2007 Certificates have been duly authorized, executed and delivered by the Trustee at the request and for the benefit of the County and are valid and binding limited and special obligations payable solely from the Lease Payments (as defined in the Lease Agreement) and certain funds held under the Trust Agreement

as provided therein. The 2007 Certificates are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the County, the State of Arizona or any political subdivision thereof.

4. The portion of each Lease Payment made by the County pursuant to the Lease Agreement and denominated as and comprising interest pursuant the Lease Agreement and received by the owners of the 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The 2007-A Interest Portion is exempt from Arizona state income tax. We express no opinion as to any other tax consequences regarding the 2007 Certificates. We also express no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2007 Certificates in the event of termination of the Lease Agreement due to nonappropriation.

In giving the foregoing opinion with respect to the treatment of the 2007-A Interest Portion under the tax laws, we have assumed and relied upon compliance with the covenants of the County and the accuracy, which we have not independently verified, of the representations and certifications of the County, contained in the Transcript. The accuracy of those representations and certifications, and the County's compliance with those covenants, may be necessary for the 2007-A Interest Portion to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to execution and delivery of the 2007-A Certificates could cause the 2007-A Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2007-A Certificates.

Under the Code, a portion of the 2007-A Interest Portion earned by corporations may be subject to the federal corporate alternative minimum tax, and the 2007-A Interest Portion may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

We express no opinion as to the Statement of Insurance of the 2007 Certificates referring to the financial guaranty insurance policy relating to the 2007 Certificates issued by Ambac Assurance Corporation or as to the insurance referred to in that statement.

Respectfully submitted,

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

$28,765,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
SERIES 2007-A

$1,555,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
TAXABLE SERIES 2007-B

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the execution and delivery of $28,765,000 principal amount of Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and $1,555,000 principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "Certificates") pursuant to a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement") between the County and U.S. Bank National Association, as trustee.

In connection with the Certificates, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Certificates and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" shall mean the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" shall mean the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" shall mean the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"Commission" shall mean the Securities and Exchange Commission.

"Dissemination Agent" shall mean any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Material Event" shall mean the occurrence of any of the events with respect to the Certificates set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIRs" shall mean, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

"Rule" shall mean Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"SID" shall mean any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Undertaking, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Undertaking.

"State" shall mean the State of Arizona.

"Undertaking" shall mean the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"Underwriter" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Certificates.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Certificates is 721664. The Final Official Statement relating to the Certificates is dated April 18, 2007.

4. Annual Information Disclosure. Subject to Section 10 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I), to all NRMSIRs and to the SID, if any. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual 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. Material Events Disclosure. Subject to Section 10 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to each NRMSIR, or to the MSRB and to the SID, if any.

6. Duty to Update NRMSIRs/SID. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to each NRMSIR, or to the MSRB and to the SID, if any, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Certificates. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 4, 5, 7, 10 and 11 requiring that the County file its Annual Information Disclosure, notice of any Material Event and notice of any failure to comply with this Undertaking or non-appropriation or termination with respect thereto with each of the NRMSIRS and any SID, the County may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Commission as eligible to receive and submit such filings to the NRMSIRS and any SID for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Commission is:

DisclosureUSA
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

9. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment 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 County, or type of business conducted;

(b) This Undertaking, as amended, 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 does not materially impair the interests of the beneficial owners of the Certificates, as determined by an independent counsel or other entity unaffiliated with the County.

10. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to each NRMSIR and the SID.

11. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Certificates or the Rule no longer applies to the Certificates. The County shall give notice in a timely manner if this Section is applicable to each NRMSIR, or to the MSRB, and to the SID, if any.

12. Dissemination Agent. The County 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 Dissemination Agent, with or without appointing a successor Dissemination Agent.

13. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County 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 Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

14. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Certificates, and shall create no rights in any other person or entity.

15. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

16. Assignment. The County shall not transfer its obligations under the Certificate Resolution unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

17. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Date: May 1, 2007

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" shall mean quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix B in the tables entitled "PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES," PIMA COUNTY, ARIZONA, STATEMENT OF FUND BALANCES – ALL GOVERNMENTAL FUND TYPES" and "PIMA COUNTY, ARIZONA, COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE."

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 to each NRMSIR and to the SID, if any, 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 Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, no later than the first business day in February of each year, commencing February 1, 2008. 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 generally accepted accounting principles, as applied to governmental units as modified by State law ("GAAP"), Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the 2007-A Certificates
7. Modifications to the rights of holders of the Certificates
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Certificates
11. Rating changes

APPENDIX F

AUDITED FINANCIAL STATEMENTS FOR PIMA COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, two major funds, and a component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Government-wide Statements				
Governmental Activities:				
Stadium District	0.09%	0.08%	0.42%	0.29%
Self-Insurance Trust	2.75%	6.77%	0.29%	0.70%
Business-type Activities:				
Wastewater Management	91.89%	86.15%	30.42%	23.10%
Pima Health System & Services	4.36%	12.47%	64.74%	72.18%
Development Services	2.50%	1.23%	4.46%	4.04%
Self-Insurance Trust	0.00%	0.00%	0.00%	0.29%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
Fund Statements				
Major Funds:				
Wastewater Management	100.00%	100.00%	100.00%	100.00%
Pima Health System & Services	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.28%	0.35%	1.23%	0.74%
Development Services	3.85%	1.86%	7.39%	5.68%
Self-Insurance Trust	8.83%	30.60%	6.84%	7.95%

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Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the County retroactively reported infrastructure assets not previously capitalized as part of the phased implementation requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The Management's Discussion and Analysis on pages 13 through 27, the Budgetary Comparison Schedules on pages 71 through 73, and the Schedule of Agent Retirement Plans' Funding Progress on page 74 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining statements and other schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In connection with our audit, except for the instances of noncompliance that will be reported in the County's Single Audit Reporting Package that will be issued at a future date, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards,* we will also issue our report on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 1, 2006

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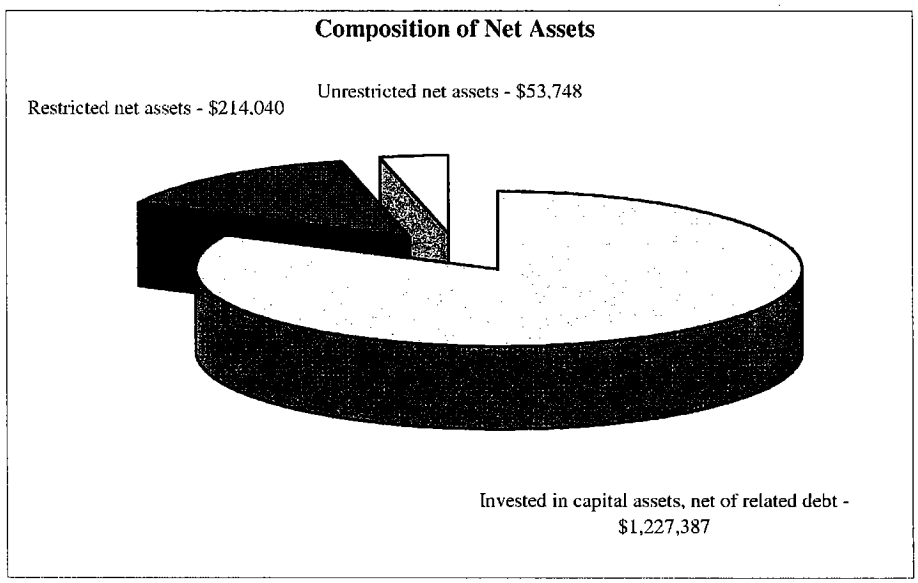
Management's Discussion and Analysis

Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2006, and should be read in conjunction with the County's basic financial statements in the following sections. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

FINANCIAL HIGHLIGHTS

- At June 30, 2006, the County's combined assets exceeded combined liabilities (*net* assets) by $1,495,175, an increase of 9.1% from the prior year. Of this amount, $53,748 is available for general government expenditures (*unrestricted net assets)*, $214,040 is restricted for specific purposes (*restricted net assets)*, and $1,227,387 is invested in capital assets, net of related debt and accumulated depreciation.



- Of the total fund balances of the County's governmental funds, total fund balance decreased $38,009 to $213,998, with $196,018 of this amount available for expenditure. The amount available for expenditure is comprised of $46,423 for the General fund, $15,685 for the Transportation fund, $84,472 for the Capital Projects fund and $49,438 for the County's other governmental funds.

- The General fund unreserved fund balance increased $13,252 from the previous year to $46,423. This balance represents approximately 11.5% of the County's General fund expenditures and 6.1% of total governmental funds expenditures.

- The Solid Waste fund, formally a division of Wastewater Management Enterprise Fund, has been reclassified as a special revenue fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information (4) is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Wastewater Management, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 29-31 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable State statutes and federal OMB budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds,* (2) *proprietary funds,* and (3) *fiduciary funds.*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Transportation and Capital Projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 32-35 of this report.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for certain health care services, including medical and long-term health care, sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management, automotive fleet maintenance and operations, printing and graphic services and telecommunications. Because these services predominantly benefit governmental rather than business-type functions, most of the assets and liabilities of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Wastewater Management and Pima Health System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 36-39 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 42-69 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General and Transportation Special Revenue funds' budgetary schedules and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 71-74 of this report.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental and enterprise funds and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 76-106 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by $1,495,175 at June 30, 2006. The following table shows condensed information for the Statement of Net Assets:

Table 1
Statement of Net Assets
At June 30, 2006

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2005-2006	2004-2005*	2005-2006	2004-2005	2005-2006	2004-2005*
Current and other assets	$ 342,194	$ 372,920	$ 114,925	$ 96,000	$ 457,119	$ 468,920
Capital assets:						
Land, buildings, equipment, infrastructure & other	1,146,334	1,072,091	597,365	596,538	1,743,699	1,668,629
Total assets	1,488,528	1,445,011	712,290	692,538	2,200,818	2,137,549
Current and other liabilities	83,175	79,660	40,048	43,514	123,223	123,174
Long-term liabilities	446,000	469,861	136,420	160,275	582,420	630,136
Total liabilities	529,175	549,521	176,468	203,789	705,643	753,310
Net assets :						
Invested in capital assets, net of related debt	761,130	754,742	466,257	457,600	1,227,387	1,212,342
Restricted	159,759	107,297	54,281	10,298	214,040	117,595
Unrestricted (deficit)	38,464	33,451	15,284	20,851	53,748	54,302
Total net assets	$ 959,353	$ 895,490	$ 535,822	$ 488,749	$ 1,495,175	$ 1,384,239

*As restated - See Note 2 & Note 5 of the financial statements

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2006, investment in capital assets totaled $1,227,387, comprising approximately 82.1% of total net assets. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. The $15,045 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2006, restricted net assets totaled $214,040 and comprised approximately 14.3% of total net assets. This represents a $96,445 increase in restricted net assets from the $117,595 balance of fiscal year 2004-05.

The remaining balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2006, unrestricted net assets totaled $53,748 and comprised approximately 3.6% of total net assets.

Governmental activities

Governmental activities contributed $63,863, or 57.6% of the County's $110,936 increase, in total net assets during fiscal year 2005-06. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Comparative Statements of Activities
For the Years Ended June 30, 2006 and 2005

	Fiscal Year		Variance	
	2005-2006	2004-2005	Amount	Percent
Program revenues:				
Charges for services	$ 72,121	$ 61,882	$ 10,239	16.5%
Operating grants and contributions	133,113	125,121	7,992	6.4%
Capital grants and contributions	12,188	23,663	(11,475)	-48.5%
Total program revenues	217,422	210,666	6,756	3.2%
General revenues:				
Property taxes	316,170	294,643	21,527	7.3%
State-shared taxes	129,052	115,140	13,912	12.1%
Investment earnings	12,942	6,140	6,802	110.8%
Other general revenues	35,720	35,422	298	0.8%
Total general revenues	493,884	451,345	42,539	9.4%
Total revenues	711,306	662,011	49,295	7.4%
Expenses:				
General government	208,293	194,873	13,420	6.9%
Public safety	132,583	118,412	14,171	12.0%
Highways and streets	70,392	65,414	4,978	7.6%
Sanitation	7,258		7,258	100.0%
Health	32,043	31,798	245	0.8%
Welfare	103,085	96,199	6,886	7.2%
Culture and recreation	34,510	29,663	4,847	16.3%
Education and economic opportunity	39,517	39,714	(197)	-0.5%
Unallocated depreciation and amortization	165	1,010	(845)	-83.7%
Interest on long-term debt	19,463	16,152	3,311	20.5%
Total expenses	647,309	593,235	54,074	9.1%
Excess before transfers	63,997	68,776	(4,779)	-6.9%
Transfers in (out)	(134)	1,935	(2,069)	-106.9%
Change in net assets	$ 63,863	$ 70,711	$ (6,848)	-9.7%

Key elements of the change in net assets from governmental activities include:

- Program revenues increased $6,756, reflecting increases by Charges for services and Operating grants & contributions of $18,231 and a decrease of $11,475 in Capital grants & contributions.

    - Revenue from Charges for services increased by $10,239 primarily due to the reclassification of Solid Waste from a business-type activity under Wastewater Management to a governmental fund. This accounted for 44.3% of the increase, or $4,531. There was also a 13.8% increase, or $3,152, within the functional class general government that was primarily due to a reclassification of Internal Service fund revenues of $2,709 from general miscellaneous revenues to charges for services.

    - Revenue from Operating grants and contributions increased by $7,992 due primarily to an increase of $5,666 in the function class general government. The County received $2,100 in federal revenue from the Help America Vote Act (HAVA) grant to purchase touch screen voting equipment, and a $1,575 increase in federal revenue for the County Law Enforcement Antiracketeering grant. In addition, there was a $3,058 increase for HURF revenue in the functional class highways and streets.

    - Revenue from Capital grants & contributions decreased by $11,475 due primarily to a $14,089 decline in governmental funding for County capital projects. There was a $9,016 and $484 decrease in federal and state funding, respectively, for the Veterans Memorial Overpass project and a $2,685 decline in state funding for the La Cholla Boulevard project. There was also a $2,110 decline in federal funding for the Wetmore/Ruthrauff intersection project. These projects were completed during the fiscal year.

- General revenues increased by $42,539, primarily due to increases in property tax revenues and state-shared tax revenues. Increases in real property assessed valuations and residential construction activity were the primary factors generating increases in property tax revenues of $21,527. Sales tax revenue increased $11,648, or 12.7%, due to growth in retail sales.

- Investment earnings continue to improve as interest rates rose for a second consecutive fiscal year. During the majority of the fiscal year, the County invested a majority of its funds in the State Treasurer's Local Government Investment Pool. The average interest rate for the pool was 2.34% for fiscal year 2004-05 and 3.94% for fiscal year 2005-06.

- Total expenses for governmental activities increased by $54,074 due to the following:

    - An increase of $22,201 in personnel costs, primarily attributable to salary adjustments of 4.2% for County employees and a one step increase for Sheriff's deputies and sergeants. Additionally, increases in the County's required contribution to the Public Safety Retirement system for Sheriff's deputies generated increases in personnel costs. This increase is predominately reflected in the public safety category.

    - The Solid Waste fund was reclassified into the Governmental activities resulting in an increase of $7,258 in expenses for the sanitation function.

    - The increase in expenditures for welfare was due to a state-mandated increase of $360 in the monthly contribution to the Arizona Long-Term Care system (ALTCS), an increase of $3,925 for health care services to both the adult and juvenile detention centers and an increase of $1,128 for psychiatric services.

- The addition of bridge structures to infrastructure resulted in $1,244 for depreciation expense. This addition is reflected in the highway and streets functional expense.

Business-type activities

Business-type activities contributed $47,073, or 42.4%, of the County's increase of $110,936 in total net assets during the year ended June 30, 2006. The following table shows changes in net assets for business-type activities:

Table 3
Business-type Activities
Comparative Statements of Activities
For the Years Ended June 30, 2006 and 2005

	Fiscal Year		Variance	
	2005-2006	2004-2005	Amount	Percent
Program revenues:				
Charges for services	$ 376,874	$ 353,548	$ 23,326	6.6%
Operating grants and contributions	4,997	4,238	759	17.9%
Capital grants and contributions	449		449	100.0%
Total program revenues	382,320	357,786	24,534	6.9%
General revenues:				
Capital contributions	14,607	20,722	(6,115)	-29.5%
Investment earnings	3,849	1,609	2,240	139.2%
Other general revenues	1,348	4,028	(2,680)	-66.5%
Total general revenues	19,804	26,359	(6,555)	-24.9%
Total revenues	402,124	384,145	17,979	4.7%
Expenses:				
Wastewater Management	82,701	76,079	6,622	8.7%
Pima Health System & Services	256,583	249,809	6,774	2.7%
Development Services	14,422	10,857	3,565	32.8%
Parking Garages	1,479	1,494	(15)	-1.0%
Total expenses	355,185	338,239	16,946	5.0%
Excess before transfers	46,939	45,906	1,033	2.3%
Transfers in (out)	134	(1,935)	2,069	-106.9%
Change in net assets	$ 47,073	$ 43,971	$ 3,102	7.1%

Key elements of the change in net assets from business-type activities include:

- Charges for services increased by $23,326, primarily as a result of:

  - Wastewater Management increased sewer utility service and connection fees, resulting in an increase of $12,122 in charges for services.

  - An increase of $8,816 within Pima Health System & Services primarily due to an increase of $8,117 in the Arizona Long Term Care System (ALTCS) and an increase of

$5,752 in the Arizona Health Care Cost Containment System (AHCCCS) programs, a result of rate increases. This was offset by a loss in revenue from reinsurance claims.

- An increase of $2,410 in license and permit revenue for Development Services due to an increase in construction activity in FY 2005-06.

- Operating grants and contributions increased by $759 due primarily to Pima Health System & Services. During FY 2005-06, there was an increase in carry-over dollars from Pima Council on Aging that drove this increase. "Carry-over dollars" are Title III funds. When these funds are not fully expended in the prior fiscal year, then the State reallocates and distributes the money across various regions in the state in the following fiscal year.

- Expenses increased by $16,946, due to the following changes:

  - An increase of $6,774 in Pima Health System & Services due primarily to increases of $2,351 for employee compensation the result of salary adjustments of 4.2% for County employees and $3,408 for medical claims due to a rate increase.

  - An increase of $6,622 in Wastewater Management due primarily to increases of $2,071 in consultants and professional services and $2,308 in depreciation expenses.

  - An increase of $3,565 in Development Services due primarily to an increase of $2,079 in employee compensation the result of salary adjustments of 4.2% for County employees.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The County's general government functions are accounted for in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2006, the County's governmental funds reported combined fund balances of $213,998, a decrease of $38,009 from the prior year. Approximately 91.6% of the combined fund balances, or $196,018, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- $6,784 to pay debt service

- $5,769 to reflect inventories and prepaid amounts

- $2,648 for specified programs

- $1,660 to reflect a loan receivable

- $1,044 designated for Mt. Lemmon flood mitigation

- $75 for capital repairs and refurbishments

The General Fund is the chief operating fund of the County. At June 30, 2006, unreserved fund balance of the general fund was $46,423 while total fund balance reached $51,575. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.5% of total General fund expenditures, while total fund balance represents 12.8% of that same amount.

Revenues for governmental functions totaled approximately $714,340 in fiscal year 2005-06, which represents an increase of $47,923 (7.2%) from the previous year.

The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4
Revenues Classified by Source
All Governmental Funds

	Fiscal Year					
	2005-2006		2004-2005		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	$ 321,474	45.0%	$ 300,972	45.2%	$ 20,502	6.8%
Special assessments	215	0.0%	244	0.0%	(29)	-11.9%
Licenses and permits	7,452	1.0%	7,265	1.1%	187	2.6%
Intergovernmental	291,059	40.8%	278,414	41.8%	12,645	4.5%
Charges for services	63,582	8.9%	53,568	8.0%	10,014	18.7%
Fines and forfeits	6,014	0.8%	5,967	0.9%	47	0.8%
Interest	11,382	1.6%	5,181	0.8%	6,201	119.7%
Miscellaneous	13,165	1.9%	14,806	2.2%	(1,641)	-11.1%
Total revenues	$ 714,343	100.0%	$ 666,417	100.0%	$ 47,926	7.2%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes Revenues from property taxes increased $20,502. This was a result of growth in construction activity within the County over the past year, as well as continued increases in assessed property valuations and greater real estate market values.

- Intergovernmental The $12,645 increase in intergovernmental revenue was due primarily to a $12,335 increase in state shared sales tax revenue, the result of increased construction and retail sales and population growth.

- Charges for services The $10,014 increase in charges for services revenues is due primarily to the reclassification of Solid Waste to a governmental fund and an increase in overhead allocation.

- Interest As previously mentioned, during the majority of the fiscal year the County invested a majority of its funds in the State Treasurer's Local Government Investment Pool. Interest rates

increased in fiscal year 2005-06 to 3.94% from 2.34% in the prior year, and resulted in increased interest revenue.

The following table presents expenditures by function compared to prior year amounts:

Table 5
Expenditures by Function
All Governmental Funds

Government Function	Fiscal Year 2005-2006 Amount	Percent	2004-2005 Amount	Percent	Variance Amount	Percent
General government	$ 203,881	26.8%	$ 193,308	27.0%	$ 10,573	5.5%
Public safety	121,229	15.9%	109,798	15.3%	11,431	10.4%
Highways and streets	39,394	5.2%	38,363	5.4%	1,031	2.7%
Sanitation	6,271	0.8%			6,271	100.0%
Health	30,038	3.9%	30,802	4.3%	(764)	-2.5%
Welfare	103,034	13.5%	96,996	13.5%	6,038	6.2%
Culture and recreation	28,561	3.8%	23,172	3.2%	5,389	23.3%
Education and economic opportunity	37,918	5.0%	38,098	5.3%	(180)	-0.5%
Capital outlay	121,007	15.9%	127,632	17.8%	(6,625)	-5.2%
Debt service:						
- Principal	50,547	6.6%	42,891	6.0%	7,656	17.9%
- Interest	19,448	2.6%	16,127	2.2%	3,321	20.6%
- Miscellaneous	15	0.0%	25	0.0%	(10)	-40.0%
Total expenditures	$ 761,343	100.0%	$ 717,212	100.0%	$ 44,131	6.2%

Total expenditures in governmental funds increased during fiscal year 2005-06 by $44,131.

- The $11,431 increase in public safety expenditures was due primarily to an increase in personnel costs. The County Sheriff's deputies and sergeants received a one step salary adjustment. In addition, corrections officer staffing numbers were increased.

- The $7,656 increase in debt service principal payments was the result of the addition of the 2005 general obligation and street and highways bonds to the payment schedule.

- The $10,573 increase in general government expenditures was due primarily to the increase in the County's administration overhead. In addition, personnel costs increased due to salary adjustments of 4.2% for County employees.

- The $6,271 in sanitation expenditures resulted from the transfer of the Solid Waste fund into a governmental fund from the Wastewater Management Enterprise Fund.

Budget to Actual Comparison for the General Fund

Overall, budgeted revenues and expenditures for the General Fund were generally consistent with actual fund activity. Actual revenues exceeded budgeted revenues by $17,481 and actual expenditures were less than budgeted expenditures by $1,236. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Proprietary funds

The County's proprietary fund functions are contained in the enterprise and internal service funds. The enterprise funds of the County are Pima Health System and Services, Wastewater Management, Development Services and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

The following table presents a comparison of this year's enterprise fund activities with the prior year:

Table 6
Summary Statement of Revenues, Expenses and Changes in Fund Net Assets
Total Enterprise Funds
For the Fiscal Years ended June 30, 2006 and 2005

	Fiscal Year		Variance	
	2005-2006	2004-2005	Amount	Percent
Operating revenues:				
Net patient services	$ 252,034	$ 243,032	$ 9,002	3.7%
Charges for services	82,162	73,372	8,790	12.0%
Other	1,348	2,943	(1,595)	-54.2%
Total net operating revenues	335,544	319,347	16,197	5.1%
Operating expenses:				
Employee compensation	73,452	68,266	5,186	7.6%
Medical claims	205,951	202,543	3,408	1.7%
Operating supplies & services	9,105	7,146	1,959	27.4%
Utilities	6,007	4,470	1,537	34.4%
Sludge and refuse disposal	1,298	2,456	(1,158)	-47.2%
Repair and maintenance	5,184	4,463	721	16.2%
General and administrative	14,328	13,602	726	5.3%
Consultants and professional services	8,018	5,679	2,339	41.2%
Depreciation and amortization	21,092	18,783	2,309	12.3%
Total operating expenses	344,435	327,408	17,027	5.2%
Operating loss	(8,891)	(8,061)	(830)	10.3%
Nonoperating revenues (expenses):				
Intergovernmental revenue	5,904	4,397	1,507	34.3%
Shared state tax revenue		1,163	(1,163)	-100.0%
Interest income	3,849	1,609	2,240	139.2%
Sewer connection fees	42,220	36,907	5,313	14.4%
Interest expense	(4,720)	(4,294)	(426)	9.9%
Loss on disposal of capital assets	(22)	(577)	555	-96.2%
Amortization of deferred charges	(97)	(97)		0.0%
Premium tax	(4,949)	(4,792)	(157)	3.3%
Total nonoperating revenues	42,185	34,316	7,869	22.9%
Income (loss) before contributions and transfers	33,294	26,255	7,039	26.8%
Capital contributions	14,607	21,926	(7,319)	-33.4%
Transfers in	156		156	100.0%
Transfers (out)	(22)	(3,139)	3,117	-99.3%
Change in net assets	$ 48,035	$ 45,042	$ 2,993	6.6%

Key activity within the enterprise funds for fiscal year 2005-06 include the following:

- While net operating revenues for the County's Enterprise Funds increased $16,197, operating expenses increased $17,027, resulting in an operating loss of $8,891, or a decline of $830 from the prior year. The operating loss was due to Wastewater Management, which reported a loss of $15,044, as compared to the operating income reported by Pima Health System and Services of $3,076, Development Services of $3,050 and Parking Garages of $27.

- Net patient services revenues increased by $9,002 from fiscal year 2004-05. This is attributable to increased membership enrollment for Pima Health System and Services, which generated increases in capitation revenues.

- Charges for services revenues increased by $8,790 as compared to the prior year. Wastewater Management reported an increase of $6,587 due to an increase in sewer utility service fee revenue. Development Services reported an increase of $2,410 due to an increase in permit revenue, as a result of an increase in construction activity.

- Employee compensation expenses increased by $5,186 from fiscal year 2004-05, due to an increase of $2,351 for Pima Health System and Services and an increase of $2,079 for Development Services. Both increases were primarily due to the Board of Supervisor's approved salary rate increases and position reclassifications.

- Medical claims expense continued to increase this year as a result of higher enrollment for Pima Health System and Services during the fiscal year. An increase in doctor fees is also responsible for a portion of the rise in medical claims expenditures.

- Sewer connection fees charged by Wastewater Management increased by $5,313 due to increased connection fee rates.

Capital Assets and Debt Administration

Capital Assets

The County's capital assets increased as a result of retroactively reporting the County's general governmental infrastructure bridge assets. GASB Statement No.34 allowed for a phase-in period for retroactively reporting infrastructure. GASB 34 required this to be completed in Fiscal Year 2006. The implementation of this accounting pronouncement has resulted in a restatement of beginning net assets of $13,289. Additional information regarding the County's restatement of beginning net assets can be found in Note 2 of the financial statements on page 47 of this report.

The County's investment in capital for its governmental and business-type activities as of June 30, 2006 amounted to $1,743,699 (net of accumulated depreciation), an increase of 4.5%. Of the $75,070 increase in net capital assets, $74,243 (98.9%) came from governmental activities and $827 (1.1%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Land increased by $14,993 due primarily to the following acquisitions for governmental activities: $2,017 for the Justice Court complex property, $1,806 for the Canoa Ranch property, $1,084 for the Tortolita Mountain Park property, $1,795 for the Tucson Mountain Park property, $1,073 for the Rillito Race Track property, $3,001 for land acquisition related to flood control projects and $3,698 that represented Solid Waste assets transferred from Wastewater Management.

- Buildings and improvements increased by $53,655 due primarily to the expansion and upgrade of the Ina Road Treatment Facility for $62,010.

- Infrastructure increased by $49,726 due primarily to the capitalization of $23,610 for the Veteran's Memorial Overpass project, $18,727 for the Wetmore/Ruthrauff Intersection project, $12,681 for the La Cholla Boulevard: River Road to Omar Road project and $7,809 for the Catalina Highway: Tanque Verde to Houghton Road project.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7
Capital Assets
Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2005-2006	2004-2005*	2005-2006	2004-2005	2005-2006	2004-2005*
Land	$ 222,954	$ 202,408	$ 8,706	$ 14,259	$ 231,660	$ 216,667
Construction in progress	115,305	117,118	14,842	63,325	130,147	180,443
Buildings and improvements	271,771	268,996	239,799	188,919	511,570	457,915
Sewage conveyance system			327,335	322,145	327,335	322,145
Equipment	38,634	35,625	6,683	7,890	45,317	43,515
Infrastructure	497,670	447,944			497,670	447,944
Total	$ 1,146,334	$ 1,072,091	$ 597,365	$ 596,538	$ 1,743,699	$ 1,668,629

*As restated - See Note 2 and Note 5 of the financial statements

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 51-53 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8
Long-Term Debt
Governmental Funds

	Fiscal Year	
	2005-2006	2004-2005
Bonds issued (at face value):		
General obligation		$ 65,000
Street and highway revenue		51,200
Loans	$ 4,836	
Capital leases	231	
Total	$ 5,067	$ 116,200

During the fiscal year, the Transportation Department received $4,836 in loan proceeds for the Alvernon Way road project from the state's Highway Expansion and Extension Loan Program (HELP). As of June 30, 2006, $1,511 of this amount remained unspent. On May 16, 2006, Pima County voters approved $54,000 in general obligation bonds for psychiatric facilities.

In the prior year, the county received $65,000 in proceeds from the sale of general obligation bonds and $51,200 from the sale of transportation revenue bonds. As of June 30, 2006, $4,186 of proceeds from general obligation bonds and $9,168 from transportation revenue bonds were unspent. The majority of the general obligation bonds were spent on public health and community facilities, parks and recreational facilities and the Sonoran Desert open space and habitat protection plan, while proceeds from transportation revenue bonds were allocated to various roadway projects.

Pima County maintains an "A+" rating from Standard & Poor's and an "A1" rating from Moody's for general obligation bonds, street and highway revenue bonds, sewer revenue bonds, and flood control general obligation bonds, except for the General Obligation Bonds, Series 2004 which Standard & Poor's upgraded to AA-.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is $907,643, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on pages 54-62 of this report.

Economic Factors and Next Year's Budget

Pima County continues to record steady increases in various aspects of its economy. Increases in residential construction continue to contribute to increases in the real property taxes, along with increases in valuation. Increases in per-capita wage income and sales taxes have also provided indications of economic growth.

The budget for fiscal year 2006-07 has expenditures for the General Fund increasing by approximately $35.5 million primarily due to the following:

- $8.2 million of expenditure authority in the Budget Stabilization Fund in anticipation of various legislative relief actions partially offset by like reductions in individual affected department budgets
- $8.0 million for an employee compensation package consisting of one step for commissioned and corrections staff, 2.8 percent for most other employees to address inflation, 1.7 percent for employees who are members of the Arizona State Retirement System whose required contribution will increase by that percentage, and an increase in the shift differential hourly rate
- $5.4 million in supplemental funding for individual departments
- $5.0 million for possible unallowable fiscal year 2004-05 Transportation expenditures
- $4.8 million of various increase identified for General Fund departments that underwent the zero base budget process
- $4.6 million increase in payments to the Metropolitan Tucson Convention & Visitors Bureau
- $2.1 million net increase in state mandated employer contributions to the various state retirement systems; $1.8 million increase in the County's contribution toward the cost of other non-retirement benefits
- $1.7 million representing the annual cost of salary adjustments for correction officers and specialists approved during fiscal year 2005-06

- $1.1 million in supplemental funding in the Budget Stabilization Fund to fund possible loss of grant funding by the County Attorney and Sheriff
- $3.1 million increase for the primary and general elections held in the fall of 2006 partially offset by a $1.6 million reduction for the regional transportation plan election held in the spring of 2006
- $1.9 million increase in the adult detention health care contract cost partially offset by a $551 decrease in juvenile detention health care contract costs
- $900 reduction for Vocation Rehabilitation costs moved to the Employment & Training Fund
- $1.8 million net reduction due to the transfer of Economic Development & Tourism funding to a new special revenue fund
- $5.0 million scheduled decrease in the County's obligations under the agreement with University Physicians Healthcare to operate the former Kino Community Hospital

Request for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

Exhibit A -1

PIMA COUNTY
STATEMENT OF NET ASSETS
June 30, 2006
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
ASSETS				
Cash and cash equivalents	$ 260,630	$ 73,347	$ 333,977	$ 1,294
Property taxes receivable (net)	8,824		8,824	
Interest receivable	463		463	
Internal balances	3,659	(3,659)		
Due from other governments	53,046	3,136	56,182	
Accounts receivable (net)	2,960	22,944	25,904	16
Inventories	2,645	3,147	5,792	30
Prepaids	4,397	95	4,492	17
Investments	911		911	
Other assets	696	751	1,447	4
Restricted assets:				
Cash and cash equivalents	2,303	15,164	17,467	
Loans receivable	1,660		1,660	
Capital assets not being depreciated:				
Land	222,954	8,706	231,660	
Construction in progress	115,305	14,842	130,147	
Capital assets being depreciated (net):				
Buildings and improvements	271,771	239,799	511,570	1,507
Sewage conveyance system		327,335	327,335	
Equipment	38,634	6,683	45,317	402
Infrastructure	497,670		497,670	
Total assets	1,488,528	712,290	2,200,818	3,270
LIABILITIES				
Accounts payable	34,685	10,566	45,251	215
Accrued medical and healthcare claims		18,736	18,736	
Interest payable		1,432	1,432	
Contract retentions	634		634	
Employee compensation	30,670	6,369	37,039	
Due to other governments	7,790	114	7,904	
Deposits and rebates	2,303		2,303	22
Deferred revenues	7,093	2,831	9,924	
Noncurrent liabilities:				
Due within one year	56,055	11,073	67,128	104
Due in more than one year	389,945	125,347	515,292	140
Total liabilities	529,175	176,468	705,643	481
NET ASSETS				
Invested in capital assets, net of related debt	761,130	466,257	1,227,387	1,665
Restricted for:				
Special revenue	53,384		53,384	
Highways and streets	21,353		21,353	
Debt service	7,934	438	8,372	
Capital projects	77,088		77,088	75
Wastewater management		48,379	48,379	
Healthcare		5,464	5,464	
Unrestricted	38,464	15,284	53,748	1,049
Total net assets	$ 959,353	$ 535,822	$ 1,495,175	$ 2,789

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 208,293	$ 26,033	$ 30,532	$ 692
Public safety	132,583	8,136	12,193	1,300
Highways and streets	70,392	21,617	57,057	8,068
Sanitation	7,258	4,531	1,136	
Health	32,043	9,693	11,664	
Welfare	103,085		839	
Culture and recreation	34,510	1,797	8	2,090
Education and economic opportunity	39,517	314	19,684	38
Amortization - unallocated	165			
Interest on long-term debt	19,463			
Total governmental activities	647,309	72,121	133,113	12,188
Business-type activities:				
Wastewater Management	82,701	104,501	529	449
Pima Health System & Services	256,583	253,748	4,468	
Development Services	14,422	17,140		
Parking Garages	1,479	1,485		
Total business-type activities	355,185	376,874	4,997	449
Total primary government	$ 1,002,494	$ 448,995	$ 138,110	$ 12,637
Component unit:				
Southwestern Fair Commission	$ 5,411	$ 5,563	$ 88	
Total component units	$ 5,411	$ 5,563	$ 88	

General revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets
- Capital and other contributions

Transfers
- Total general revenues and transfers
  - Change in net assets

Net assets at beginning of year, as restated
Net assets at end of year

See Notes to the Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission	Functions/Programs
				Primary government:
				Governmental activities:
$ (151,036)		$ (151,036)		General government
(110,954)		(110,954)		Public safety
16,350		16,350		Highways and streets
(1,591)		(1,591)		Sanitation
(10,686)		(10,686)		Health
(102,246)		(102,246)		Welfare
(30,615)		(30,615)		Culture and recreation
(19,481)		(19,481)		Education and economic opportunity
(165)		(165)		Amortization - unallocated
(19,463)		(19,463)		Interest on long-term debt
(429,887)		(429,887)		**Total governmental activities**
				Business-type activities:
	$ 22,778	22,778		Wastewater Management
	1,633	1,633		Pima Health System & Services
	2,718	2,718		Development Services
	6	6		Parking Garages
	27,135	27,135		**Total business-type activities**
(429,887)	27,135	(402,752)		**Total primary government**
				Component unit:
			$ 240	Southwestern Fair Commission
			$ 240	**Total component units**
				General revenues:
237,510		237,510		Property taxes, levied for general purposes
19,929		19,929		Property taxes, levied for regional flood control district
15,539		15,539		Property taxes, levied for library district
43,192		43,192		Property taxes, levied for debt service
6,856		6,856		Hotel/motel taxes, levied for sports facility and tourism
1,808		1,808		Other taxes, levied for stadium district
103,158		103,158		Unrestricted share of state sales tax
25,894		25,894		Unrestricted share of state vehicle license tax
7,975		7,975		Grants and contributions not restricted to specific programs
5,683		5,683		Interest and penalties on delinquent taxes
12,942	3,849	16,791		Investment earnings
12,828	1,348	14,176	86	Miscellaneous
323		323		Gain on sale of capital assets
247	14,607	14,854	15	Capital and other contributions
(134)	134			Transfers
493,750	19,938	513,688	101	Total general revenues and transfers
63,863	47,073	110,936	341	Change in net assets
895,490	488,749	1,384,239	2,448	Net assets at beginning of year, as restated
$ 959,353	$ 535,822	$ 1,495,175	$ 2,789	Net assets at end of year

See Notes to the Financial Statements

Exhibit A - 3

PIMA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006
(in thousands)

	General	Transportation	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 45,695	$ 19,605	$ 93,966	$ 58,999	$ 218,265
Property taxes receivable (net)	6,562			2,262	8,824
Interest receivable	1	54	256	20	331
Due from other funds	4,669	48	146	1,081	5,944
Due from other governments	24,869	9,441	2,647	15,995	52,952
Accounts receivable	1,334	3	28	1,338	2,703
Inventory		2,027		136	2,163
Prepaid expenditures	3,492	43		71	3,606
Loan receivable	1,660				1,660
Other assets	160				160
Restricted cash equivalents			2,303		2,303
Total assets	$ 88,442	$ 31,221	$ 99,346	$ 79,902	$ 298,911
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 11,868	$ 1,825	$ 10,846	$ 8,665	$ 33,204
Contract retentions			601	33	634
Employee compensation	6,090	568	25	1,604	8,287
Due to other funds	1,252	81	111	2,940	4,384
Due to other governments	56	7,389	309	36	7,790
Deposits and rebates			2,303		2,303
Deferred revenues	17,601	3,603	679	6,428	28,311
Total liabilities	36,867	13,466	14,874	19,706	84,913
Fund balances:					
Reserved for:					
Inventory		2,027		136	2,163
Prepaid expenditures	3,492	43		71	3,606
Debt service				6,784	6,784
Capital repairs and refurbishments				75	75
Specified programs				2,648	2,648
Loan receivable	1,660				1,660
Unreserved, designated for:					
Special revenue, flood mitigation				1,044	1,044
Unreserved, undesignated:					
General fund	46,423				46,423
Capital projects			84,472		84,472
Special Revenue		15,685		49,276	64,961
Debt service				162	162
Total fund balances	51,575	17,755	84,472	60,196	213,998
Total liabilities and fund balances	$ 88,442	$ 31,221	$ 99,346	$ 79,902	$ 298,911

See Notes to the Financial Statements

Exhibit A - 4

PIMA COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2006
(in thousands)

Fund balances - total governmental funds		$ 213,998
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 1,674,587	
Less accumulated depreciation	(546,029)	1,128,558
Some liabilities and their associated issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(362,059)	
Loans and leases payable	(32,165)	
Unamortized deferred issuance costs reported as other assets	536	(393,688)
Some compensated absences are not due and payable shortly after June 30, 2006, and therefore are not reported in the governmental funds		
Employee compensation		(21,731)
Some liabilities are not due and payable shortly after June 30, 2006, and are therefore not reported in the governmental funds		
Landfill liability		(16,268)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		21,218
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		27,266
Net assets of governmental activities		$ 959,353

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A - 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006
(in thousands)

	General	Transportation	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 242,948			$ 78,526	$ 321,474
Special assessments				215	215
Licenses and permits	2,536	$ 368		4,548	7,452
Intergovernmental	143,982	58,368	$ 11,157	77,552	291,059
Charges for services	27,102	1,603	19,101	15,776	63,582
Fines and forfeits	5,786			228	6,014
Interest	2,491	840	4,639	3,412	11,382
Miscellaneous	4,935	765	567	6,898	13,165
Total revenues	429,780	61,944	35,464	187,155	714,343
Expenditures:					
Current:					
General government	168,394			35,487	203,881
Public safety	96,687			24,542	121,229
Highways and streets		39,337		57	39,394
Sanitation				6,271	6,271
Health	2,401			27,637	30,038
Welfare	102,496			538	103,034
Culture and recreation	13,104			15,457	28,561
Education and economic opportunity	16,682			21,236	37,918
Capital outlay			121,007		121,007
Debt service - principal	1,750			48,797	50,547
- interest	1,292			18,156	19,448
- miscellaneous	5			10	15
Total expenditures	402,811	39,337	121,007	198,188	761,343
Excess (deficiency) of revenues over (under) expenditures	26,969	22,607	(85,543)	(11,033)	(47,000)
Other financing sources (uses):					
Capital leases				231	231
Proceeds from sale of capital assets	22	376		18	416
Face amount of long-term debt			4,836		4,836
Transfers in	3,563	22	17,529	38,834	59,948
Transfers (out)	(16,206)	(24,917)		(15,140)	(56,263)
Total other financing sources (uses)	(12,621)	(24,519)	22,365	23,943	9,168
Net change in fund balances	14,348	(1,912)	(63,178)	12,910	(37,832)
Fund balance at beginning of year	37,227	19,793	147,650	47,337	252,007
Change in reserve for inventory		(126)		(62)	(188)
Change in reserve for prepaids				11	11
Fund balance at end of year	$ 51,575	$ 17,755	$ 84,472	$ 60,196	$ 213,998

See Notes to the Financial Statements

Exhibit A - 6

PIMA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006
(in thousands)

Net change in fund balances - total governmental funds		$ (37,832)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense		
Expenditures for capital assets	$ 105,537	
Less current year depreciation	(42,629)	62,908
Transfers of capital assets between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		11,335
Transfers of long term liabilities between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		(15,780)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Face amount of long-term debt	(4,836)	
Face amount of capital lease	(231)	
Debt service - principal payments	50,547	
Amortization expense	(165)	45,315
Some revenues reported in the statement of activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds.		
Property tax revenues	378	
Other	1,464	1,842
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Change in compensated absences	(1,920)	
Change in landfill liability	(632)	
Net book value of capital asset disposals	(127)	
Change in reservation of fund balances	(177)	(2,856)
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net expense of the internal service funds is reported with governmental activities		(1,069)
Change in net assets of governmental activities		$ 63,863

See Notes to the Financial Statements

Exhibit A - 7

PIMA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006
(in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
Assets					
Current assets:					
Cash and cash equivalents	$ 12,739	$ 42,261	$ 18,347	$ 73,347	$ 42,365
Restricted cash and cash equivalents		14,672		14,672	
Interest receivable					132
Due from other funds	1	1		2	381
Due from other governments	2,843	293		3,136	94
Accounts receivable (net)	14,624	8,318	2	22,944	257
Inventory	116	3,031		3,147	482
Prepaid expense		93	2	95	791
Total current assets	30,323	68,669	18,351	117,343	44,502
Noncurrent assets:					
Restricted cash and cash equivalents		492		492	
Investments					911
Capital assets:					
Land and other improvements		6,845	1,861	8,706	592
Buildings and improvements	1,116	340,260	12,927	354,303	614
Sewage conveyance system		490,600		490,600	
Equipment	1,302	12,974	1,989	16,265	29,361
Less accumulated depreciation	(1,528)	(277,567)	(8,256)	(287,351)	(12,791)
Construction in progress		14,842		14,842	
Total capital assets (net of accumulated depreciation)	890	587,954	8,521	597,365	17,776
Deferred financing costs		751		751	
Total noncurrent assets	890	589,197	8,521	598,608	18,687
Total assets	31,213	657,866	26,872	715,951	63,189
Liabilities					
Current liabilities:					
Accounts payable	911	8,330	1,325	10,566	1,481
Accrued medical and health care claims	18,736			18,736	
Employee compensation	2,348	2,991	1,030	6,369	652
Interest payable		1,432		1,432	
Due to other funds	1,657	177	7	1,841	102
Due to other governments		24	90	114	
Deferred revenues	2	2,829		2,831	
Current portion of sewer revenue bonds		5,570		5,570	
Current portion of wastewater loans payable		5,503		5,503	
Current portion reported but unpaid losses					5,507
Current portion incurred but not reported losses					2,046
Total current liabilities	23,654	26,856	2,452	52,962	9,788
Noncurrent liabilities:					
Contracts and notes		4,562		4,562	
Sewer revenue bonds		46,140		46,140	
Wastewater loans payable		74,645		74,645	
Reported but unpaid losses					20,257
Incurred but not reported losses					7,698
Total noncurrent liabilities		125,347		125,347	27,955
Total liabilities	23,654	152,203	2,452	178,309	37,743
Net assets					
Invested in capital assets, net of related debt	890	456,846	8,521	466,257	17,776
Restricted for:					
Debt service		438		438	
Wastewater management		4,356		4,356	
Healthcare	5,464			5,464	
Unrestricted	1,205	44,023	15,899	61,127	7,670
Total net assets	$ 7,559	$ 505,663	$ 24,420	537,642	$ 25,446

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.	(1,820)
Net assets of business-type activities	$ 535,822

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A - 8

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities-
	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
Net patient services	$ 252,034			$ 252,034	
Charges for services	1,714	$ 61,823	$ 18,625	82,162	$ 32,177
Other	649	451	248	1,348	2,128
Total net operating revenues	254,397	62,274	18,873	335,544	34,305
Operating expenses:					
Employee compensation	35,801	27,625	10,026	73,452	6,772
Medical claims	205,951			205,951	
Operating supplies and services	1,602	6,322	1,181	9,105	5,404
Utilities	372	5,314	321	6,007	808
Sludge and refuse disposal		1,298		1,298	
Repair and maintenance	397	4,297	490	5,184	3,133
Incurred losses					12,185
Insurance premiums					5,163
General and administrative	5,493	6,436	2,399	14,328	2,243
Consultants and professional services	1,487	5,610	921	8,018	503
Depreciation	218	20,416	458	21,092	2,316
Total operating expenses	251,321	77,318	15,796	344,435	38,527
Operating income (loss)	3,076	(15,044)	3,077	(8,891)	(4,222)
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,468	1,436		5,904	
Interest income	1,464	1,784	601	3,849	1,531
Sewer connection fees		42,220		42,220	
Interest expense	(96)	(4,624)		(4,720)	
Gain (loss) on disposal of capital assets		(20)	(2)	(22)	34
Amortization of deferred charges		(97)		(97)	
Premium tax	(4,949)			(4,949)	
Total nonoperating revenues (expenses)	887	40,699	599	42,185	1,565
Income (loss) before contributions and transfers	3,963	25,655	3,676	33,294	(2,657)
Capital contributions		14,607		14,607	
Transfers in		156		156	626
Transfers (out)		(22)		(22)	
Change in net assets	3,963	40,396	3,676	48,035	(2,031)
Net assets at beginning of year	3,596	465,267	20,744	489,607	27,477
Net assets at end of year	$ 7,559	$ 505,663	$ 24,420	537,642	$ 25,446

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net expense of certain internal service funds is reported with business-type activities.	(962)
Change in net assets of business-type activities	$ 47,073

See Notes to the Financial Statements

Exhibit A - 9

PIMA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services provided	$ 1,670		$ 78	$ 1,748	$ 32,177
Cash received from customers for goods and services provided	247,244	$ 61,819	18,659	327,722	
Cash received from miscellaneous operations	662	451	248	1,361	2,387
Cash payments to suppliers for goods and services	(218,327)	(21,805)	(2,531)	(242,663)	(14,430)
Cash payments to other funds for goods and services	(3,363)	(7,478)	(2,932)	(13,773)	(2,956)
Cash payments for incurred losses					(6,950)
Cash payments to employees for services	(36,039)	(28,215)	(9,296)	(73,550)	(7,004)
Net cash provided by (used for) operating activities	(8,153)	4,772	4,226	845	3,224
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(103)			(103)	
Cash transfers in from other funds					322
Cash transfers out to other funds		(4,312)		(4,312)	
Loans with other funds	(1,797)	128		(1,669)	(15)
Premium Tax	(4,949)			(4,949)	
Intergovernmental revenues	4,661	529		5,190	
Net cash provided by (used for) noncapital financing activities	(2,188)	(3,655)		(5,843)	307
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		1,086		1,086	
Principal paid on bonds and loans		(9,501)		(9,501)	
Interest paid on bonds and loans		(4,225)		(4,225)	
Sewer connection fees		42,142		42,142	
Proceeds from sale of capital assets		2		2	275
Proceeds from intergovernmental contract		191		191	
Purchase of capital assets	(47)	(14,340)	(843)	(15,230)	(2,686)
Net cash provided by (used for) capital and related financing activities	(47)	15,355	(843)	14,465	(2,411)
Cash flows from investing activities:					
Interest received on cash and investments	1,538	1,871	630	4,039	1,547
Net cash provided by investing activities	1,538	1,871	630	4,039	1,547
Net increase (decrease) in cash and cash equivalents	(8,850)	18,343	4,013	13,506	2,667
Cash and cash equivalents at beginning of year	21,589	39,082	14,334	75,005	39,698
Cash and cash equivalents at end of year	$ 12,739	$ 57,425	$ 18,347	$ 88,511	$ 42,365

(Continued)

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

(Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health System & Services	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities-Internal Service Funds
Operating income (loss)	$ 3,076	$ (15,044)	$ 3,077	$ (8,891)	$ (4,222)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	218	20,416	458	21,092	2,316
Decrease (increase) in assets:					
Accounts Receivable	(5,773)	(241)	16	(5,998)	273
Due from other governments	834	237	18	1,089	(13)
Inventory and other assets	(3)	(216)		(219)	42
Prepaid expenses		(67)	(1)	(68)	
Increase (decrease) in liabilities:					
Accounts payable	(5,471)	265	719	(4,487)	(175)
Interfund payables	(3)			(3)	
Due to other funds			7	7	
Due to other governments		12	34	46	
Reported but unpaid losses					4,921
Incurred but not reported losses					314
Other current liabilities	(1,031)	(590)	(102)	(1,723)	(232)
Net cash provided by (used for) operating activities	$ (8,153)	$ 4,772	$ 4,226	$ 845	$ 3,224

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2006:

Wastewater Management Enterprise Fund retired capital assets with a net book value of $22

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling $14,408, and other capital assets with a net book value of $26. These contributions were recorded as an increase in capital assets and capital contributions.

Wastewater Management Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of $17. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Wastewater Management Enterprise Fund retired expired sewer credit agreements totaling $190. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

Wastewater Management Enterprise Fund transferred the capital assets of the Solid Waste Management division with a net book value of $11,335 to the County's general government.

Wastewater Management Enterprise Fund conveyed the long-term liabilities of the Solid Waste Management division in the amount of $15,780 to the County's general government.

Other Enterprise Funds disposed of capital assets with a net book value of $2.

Internal Service Funds sold assets with a net book value of $241, resulting in a gain on disposal of $34.

Internal Service Funds had unpaid transfers of $304 at year-end.

Internal Service Funds transferred $5 of completely depreciated capital assets to, and received $11 of completely depreciated capital assets from, the County's general capital assets.

See Notes to the Financial Statements

Exhibit A - 10

PIMA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006
(in thousands)

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 236,494	$ 53,521
Interest receivable	727	
Due from other governments		3,715
Total assets	237,221	57,236
LIABILITIES		
Employee compensation		7,558
Due to other governments		26,594
Deposits and rebates		23,084
Total liabilities		$ 57,236
NET ASSETS		
Held in trust for pool participants	$ 237,221	

See Notes to the Financial Statements

Exhibit A - 11

PIMA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2006
(in thousands)

	Investment Trust Funds
ADDITIONS	
Contributions from participants	$ 2,263,471
Total contributions	2,263,471
Investment earnings	9,002
Total investment earnings	9,002
Total additions	2,272,473
DEDUCTIONS	
Distributions to participants	2,237,409
Total deductions	2,237,409
Change in net assets	35,064
Net assets held in trust July 1, 2005	202,157
Net assets held in trust June 30, 2006	$ 237,221

See Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Pima County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Board of Directors of the District comprises the same individuals who constitute the Pima County Board of Supervisors. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Board of Directors is the Pima County Board of Supervisors. The Library District and the City of Tucson had intergovernmental agreements to provide library services since 1986 through June 30, 2006. On July 1, 2006, the District assumed control of the operations of the libraries. The transition of operations from the City of Tucson to the District is governed by an intergovernmental agreement that is described in Note 16. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Note 1 - Summary Of Significant Accounting Policies (continued)

Related Organization

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 - Summary Of Significant Accounting Policies (continued)

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The **Transportation Fund** accounts for administrative and operating costs, as well as resources transferred to the Capital Projects Fund for construction of highways and streets, and resources transferred to the Debt Service Fund for payment of Transportation Revenue bonds. Financing is provided primarily from the County share of gasoline and vehicle license tax collected by the State.

The County reports the following major enterprise funds:

Pima Health System and Services provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

Wastewater Management Fund accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, printing and graphic services, and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Agency Funds account for the assets held by the County as an agent for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

C. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be

Note 1 - Summary Of Significant Accounting Policies (continued)

available if the revenues are collected within 30 days after year-end. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services.

Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

D. Cash and Investments

Primary government:

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity period of 3 months or less when purchased to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

E. Inventories and Prepaids

The County accounts for its inventories in the governmental funds using the purchases method.

Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method or average cost method.

Note 1 - Summary Of Significant Accounting Policies (continued)

Inventories of Pima Health System and Services, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of Wastewater Management, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of Fleet Services, an internal service fund, are valued at the lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchases method.

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost, or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows (excluding component units):

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Land improvements	All	Straight Line	20 to 30 Years
Buildings and building improvements	$100	Straight Line	10 to 50 Years
Equipment	$ 5	Straight Line	4 to 25 Years
Fleet service vehicles	$ 5	Units of Production based on number of hours or miles	5 to 15 Years
Infrastructure	$100	Straight Line	10 to 50 Years

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

Note 1 - Summary Of Significant Accounting Policies (continued)

H. Investment Earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate a limited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide financial statements.

Note 2: Net Asset Beginning Balances Restated

In compliance with GASB Statement No. 34, Pima County retroactively reported its Transportation bridges infrastructure network that was acquired or received substantial improvement subsequent to December 31, 1975. The retroactive capitalization amount at July 1, 2005, was based on historical cost, where applicable, and on estimated historical cost, where determining historical cost was not practical due to inadequate records. The depreciation amount was calculated using the straight-line method and a useful life of 30 years.

The following summarizes the restatement for infrastructure:

	Governmental Activities
Net assets – June 30, 2005, as previously reported	$ 882,201
Transportation bridges	13,289
Net assets – July 1, 2005, as restated	$ 895,490

Note 3: Cash And Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporation, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and bonds of the State of Arizona or any of its counties, cities, towns,

Note 3: Cash And Investments (continued)

or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk;

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.

2. Corporate bonds, debentures, and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.

3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2006, the carrying amount of the County's deposits was $27,113 and the bank balance was $37,291.

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2006, $783 of the County's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 700
Uninsured with collateral held by the bank's safekeeping department	83
Total	$ 783

Investments—At June 30, 2006, the County's investments consisted of $420,115 invested in marketable securities, $194,151 invested in the State Treasurer's Investment Pool, and $911 invested in a local government bond. Cash from the County and from external legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Note 3: Cash And Investments (continued)

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. At June 30, 2006, credit risk for the County's investments was as follows;

Investment Type	Rating	Rating Agency	Amount
Commercial paper	A1 - P1	S & P - Moody's	$ 22,894
Fannie Mae (Federal National Mortgage Association)	AAA - Aaa	S & P - Moody's	178,797
Freddie Mac (Federal Home Loan Mortgage Corporation)	AAA - Aaa	S & P - Moody's	59,436
Tri-party repurchase agreement	Unrated		158,988
State Treasurer's Investment Pool	Unrated		194,151
Local governments bonds	Unrated		911
Total			$ 615,177

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's $615,177 of investments, 100% of the commercial paper, Freddie Mac and Fannie Mae discount notes, and tri-party repurchase agreement totaling $420,115 are uninsured and held by the counterparty in the County's name.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. More than 5% of the County's investments were with the Bank of America (including the tri-party repurchase agreement and 87% of the commercial paper), Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments were 29%, 10% and 29% respectively, of total investments.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

As of June 30, 2006, the County had the following investments:

Investment Type	Amount	Weighted Average Maturity (Years)
State Treasurer's Investment Pool 5	$103,729	0.14
State Treasurer's Investment Pool 7	90,422	0.10
Commercial paper	22,894	0.09
Fannie Mae (Federal National Mortgage Association)	178,797	0.08
Freddie Mac (Federal Home Loan Mortgage Corporation)	59,436	0.09
Tri-party repurchase agreement	158,988	0.01
Local governments bonds	911	2.50
	$615,177	

Note 3: Cash And Investments (continued)

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows;

	Cash on hand	Amount of deposits	Amount of investments	Totals
Cash deposits and investments:	$ 80	$ 27,113	$ 615,177	$ 642,370

	Governmental Activities	Business-Type Activities	Investment Trust Funds	Agency Funds	Totals
Statement of Net Assets:					
Cash and cash equivalents	$ 262,933	$ 88,511	$ 236,494	$ 53,521	$ 641,459
Investments	911				911
Total	$ 263,844	$ 88,511	$ 236,494	$ 53,521	$ 642,370

County Treasurer's Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

The Pool's net assets consist of $178,797 of Fannie Mae, $158,988 of tri-party repurchase agreement, $59,436 of Freddie Mac, $35,306 of State Treasurer's Investment Pool, $22,894 of commercial paper, and $3,062 of cash and are subject to applicable risks as disclosed above.

A condensed statement of the Pool's net assets and changes in net assets follows:

Statement of Net Assets	
Net assets held in trust for:	
Internal participants	$ 312,411
External participants	146,072
Total Liabilities	0
Total net assets held in trust	$ 458,483
Statement of Changes in Net Assets	
Total additions	$ 4,974,430
Total deductions	(4,895,603)
Net increase	78,827
Net assets held in trust:	
July 1, 2005	379,656
June 30, 2006	$ 458,483

Discretely Presented Component Units

Southwestern Fair Commission—At June 30, 2006, the commission's cash and cash equivalents of $1,294 consisted of deposits with financial institutions. Of the total balance, $994 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4: Due from Other Governments

Governmental Activities

	General	Transportation Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:						
Grants and contributions	$ 357	$ 395	$ 535	$ 11,368	$ 1	$ 12,656
State of Arizona						
Taxes and shared revenues	23,125	8,875		717		32,717
Grants and contributions		100	257	1,969	5	2,331
City of Tucson						
Reimbursement for services	1,090		1,855	1,783		4,728
Due from other governments						
Reimbursement for services	297	71		158	88	614
Total due from other governments	$ 24,869	$ 9,441	$ 2,647	$ 15,995	$ 94	$ 53,046

Business-type Activities

	Pima Health System and Services	Wastewater Management	Total Business-type Activities
Federal government:			
Grants and contributions		$ 293	$ 293
State of Arizona			
Grants and contributions	$ 2,843		2,843
Total due from other governments	$ 2,843	$ 293	$ 3,136

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005 (as restated)	Increases	Decreases	Balance June 30, 2006
Governmental activities				
Capital assets not being depreciated:				
Land	$ 202,408	$ 20,546		$ 222,954
Construction in progress	117,118	80,508	$ (82,321)	115,305
Total capital assets not being depreciated	319,526	101,054	(82,321)	338,259
Capital assets being depreciated:				
Buildings and improvements	371,874	12,146		384,020
Infrastructure	812,700	76,951		889,651
Equipment	79,452	16,593	(2,821)	93,224
Total capital assets being depreciated	1,264,026	105,690	(2,821)	1,366,895
Less accumulated depreciation for:				
Buildings and improvements	(102,878)	(9,371)		(112,249)
Infrastructure	(364,756)	(27,225)		(391,981)
Equipment	(43,827)	(13,216)	2,453	(54,590)
Total accumulated depreciation	(511,461)	(49,812)	2,453	(558,820)
Total capital assets being depreciated, net	752,565	55,878	(368)	808,075
Governmental activities capital assets, net	$ 1,072,091	$ 156,932	$ (82,689)	$ 1,146,334

Note 5: Capital Assets (continued)

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Business-type activities				
Capital assets not being depreciated:				
Land	$ 14,259	$ 2,288	$ (7,841)	$ 8,706
Construction in progress	63,325	11,017	(59,500)	14,842
Total capital assets not being depreciated	77,584	13,305	(67,341)	23,548
Capital assets being depreciated:				
Buildings and improvements	294,265	62,298	(2,260)	354,303
Infrastructure	475,148	15,452		490,600
Equipment	20,932	1,819	(6,486)	16,265
Total capital assets being depreciated	790,345	79,569	(8,746)	861,168
Less accumulated depreciation for:				
Buildings and improvements	(105,346)	(9,831)	673	(114,504)
Infrastructure	(153,003)	(10,262)		(163,265)
Equipment	(13,042)	(999)	4,459	(9,582)
Total accumulated depreciation	(271,391)	(21,092)	5,132	(287,351)
Total capital assets being depreciated, net	518,954	58,477	(3,614)	573,817
Business-type activities capital assets, net	$ 596,538	$ 71,782	$ (70,955)	$ 597,365

The July 1, 2005, governmental activities capital asset balance was restated to include recognition of the bridges network general infrastructure assets, as explained in Note 2 to the financial statements. The increase to governmental activities capital assets include capital assets transferred from the Wastewater Management Enterprise Fund – Solid Waste division with acquisition costs of $16,185 and accumulated depreciation of $4,867.

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	$ 5,144
Public safety	8,974
Highway and streets	22,972
Sanitation	446
Health	1,444
Welfare	8
Culture and recreation	3,381
Education and economic opportunity	260
Internal service funds	2,316
Total governmental activities depreciation	$ 44,945
Business-type activities	
Pima Health System & Services	$ 218
Parking Garages	337
Wastewater Management	20,416
Development Services	121
Total business-type activities depreciation	$ 21,092

Note 5: Capital Assets (continued)

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Discretely presented component unit				
Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	$ 3,654	$ 56	$ (3)	$ 3,707
Equipment	1,492	122	(2)	1,612
Total capital assets being depreciated	5,146	178	(5)	5,319
Less accumulated depreciation for:				
Buildings and improvements	(2,092)	(111)	3	(2,200)
Equipment	(1,140)	(72)	2	(1,210)
Total accumulated depreciation	(3,232)	(183)	$ 5	(3,410)
Total capital assets being depreciated, net	1,914	(5)		1,909
SFC capital assets, net	$ 1,914	$ (5)		$ 1,909

Note 6: Claims, Judgments And Risk Management

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Solid Waste

The County has entered into settlement negotiations with Arizona Department of Environmental Quality (ADEQ) to resolve litigation associated with the cleanup of the Camino del Cerro landfill. Cleanup expenditures have been incurred and include a soil vapor extraction system, a series of drainage improvements, re-grade landfill cap and groundwater remediation. The liability is not presented within the financial statements because the outcome of the litigation is uncertain and the amount of the loss cannot be reasonably estimated.

Other

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

All funds of the County participate in the Fund. With the exception of environmental, unemployment and dental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and

Note 6: Claims, Judgments And Risk Management (continued)

current-year claims. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available. Payments for unemployment and dental losses are based on actual claims made. The claims liability of $35,508 reported in the Fund at June 30, 2006, is based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

	2006	2005
Claims liability balance—beginning	$30,273	$ 25,696
Current year claims and changes in estimates	12,185	12,925
Claims payments	(6,950)	(8,348)
Claims liability balance—ending	$35,508	$ 30,273

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2006.

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within 1 year
Governmental activities:					
General obligation bonds	$ 267,270		$ 35,960	$ 231,310	$ 32,335
Plus unamortized deferred amount	657		49	608	49
Total general obligation bonds	267,927		36,009	231,918	32,384
Flood control bonds	3,010		780	2,230	760
Transportation revenue bonds	137,545		10,710	126,835	11,435
Plus unamortized deferred amount	191		26	165	26
Total transportation revenue bonds	137,736		10,736	127,000	11,461
Special assessment bonds with governmental commitment	1,093		182	911	182
Loans and Leases:					
Transportation loans payable	1,943	$ 4,836	1,040	5,739	2,025
Capital leases payable:					
Jail capital lease	30,085		1,750	28,335	1,785
Less unamortized deferred amount	(2,297)		(191)	(2,106)	(192)
Other capital leases	91	231	125	197	97
Total capital leases	27,879	231	1,684	26,426	1,690
Total loans and leases	29,822	5,067	2,724	32,165	3,715
Reported but unpaid losses (Note 6)	20,842	11,872	6,950	25,764	5,507
Incurred but not reported losses (Note 6)	9,431	313		9,744	2,046
Landfill closure and post-closure care costs (Note 9)		16,268		16,268	
Total governmental activities long -term liabilities	$ 469,861	$ 33,520	$ 57,381	$ 446,000	$ 56,055

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 60,075		$ 4,550	$ 55,525	$ 5,570
Less unamortized deferred amount	(4,266)		(451)	(3,815)	
Total revenue bonds payable	55,809		4,099	51,710	5,570
Wastewater loans payable	84,232	$1,086	4,951	80,367	5,503
Less unamortized deferred amount	(254)		(35)	(219)	
Total loans payable	83,978	1,086	4,916	80,148	5,503
Landfill closure & post-closure care cost	15,636		15,636		
Contracts and notes	4,852	163	453	4,562	
Total business-type activities long-term liabilities	$ 160,275	$1,249	$ 25,104	$ 136,420	$11,073
Discretely presented component unit:					
Southwestern Fair Commission notes payable	$ 392		$ 148	$ 244	$ 104

GENERAL OBLIGATION BONDS OUTSTANDING
Governmental Activities
(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2006, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $3,069 from the November 2, 1982 bond election, $40,180 from the May 20, 1997, and $476,432 from the May 18, 2004 bond election remain unissued. On May 16, 2006 voters authorized $54,000 for building of psychiatric facilities, all of which remain unissued.

The following table presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series of 1998	$ 42,420	4.40 – 4.60%	2007-13	$ 18,795
Series of 1999	50,000	5.00 – 5.08%	2007-10	16,115
Series of 2000	50,000	4.00 – 5.00%	2007-14	26,000
Series of 2001 Refunding	17,835	4.50 – 5.00%	2007-09	7,610
Series of 2002	20,000	4.00 – 4.50%	2007-16	10,000
Series of 2003	50,000	3.25 – 4.25%	2007-17	40,350
Series of 2004	65,000	3.00 – 5.00%	2007-19	53,615
Series of 2005	65,000	3.50 – 5.00%	2007-20	58,825
G.O. bonds outstanding				231,310
Plus unamortized deferred amount:				608
Total G.O. bonds outstanding				$ 231,918

Note 7: Long-Term Liabilities (continued)

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 32,335	$ 10,028
2008	25,005	8,539
2009	20,260	7,417
2010	19,790	6,503
2011	17,190	5,616
2012-2016	77,880	16,740
2017-2020	38,850	2,988
Total	$ 231,310	$ 57,831

ADVANCED REFUNDINGS OF GENERAL OBLIGATION BONDS

In prior years, the County defeased certain General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for these defeased bonds are not included in the County's financial statements. At June 30, 2006, the following outstanding bonds were considered defeased:

	Outstanding June 30, 2006
1979 General Obligation Refunding Bonds	$ 1,930
Series of 1999	$ 5,785

FLOOD CONTROL REFUNDING BONDS OUTSTANDING
Governmental Activities
(Payments made from property tax revenues of the Debt Service Fund of the District)

The Pima County Regional Flood Control District outstanding bonds payable at June 30th is presented below.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series 2001 Refunding	$ 4,585	4.00 - 4.20%	2007-09	$ 2,230

The following schedule details flood control bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 760	91
2008	745	61
2009	725	30
Total	$2,230	$ 182

Note 7: Long-Term Liabilities (continued)

TRANSPORTATION BONDS
Governmental Activities
(Payments made from street and highway revenues)

Pima County transportation revenue bonds of 1998 were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, $168,800 from the November 4, 1997 bond election remains unissued.

	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series of 1998	$ 40,000	4.50%	2007-08	$ 8,000
Series of 2002	55,000	4.00 - 4.50%	2007-12	35,735
Series of 2003	35,000	3.38 - 4.38%	2007-18	31,900
Series of 2005	51,200	3.50 – 5.00%	2007-20	51,200
Transportation bonds outstanding				126,835
Plus unamortized deferred amount:				165
Total transportation bonds outstanding				$ 127,000

The following schedule details transportation bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 11,435	$ 5,257
2008	11,745	4,752
2009	11,465	4,276
2010	11,935	3,821
2011	12,450	3,302
2012-2016	41,225	9,975
2017-2020	26,580	2,294
Total	$ 126,835	$ 33,677

TRANSPORTATION LOANS PAYABLE
Governmental Activities

During the fiscal year ended June 30, 2002, and fiscal year ended June 30, 2006, Pima County Transportation Department entered into loan agreements to provide funds for the construction and improvement of certain highways and streets. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. Interest on the Alvernon HELP loan is calculated and paid on an annual basis.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
2002 HELP Loan – Ajo	$ 3,700	3.23%	2007	$ 703
2002 HELP Loan – Shannon	1,400	3.23%	2007	200
2006 HELP Loan – Alvernon	4,836	3.59%	2007-09	4,836
Total transportation loans payable				$ 5,739

Note 7: Long-Term Liabilities (continued)

The following schedule details transportation loans debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 2,025	$ 169
2008	2,714	114
2009	1,000	61
Total	$ 5,739	$ 344

SPECIAL ASSESSMENT BONDS OUTSTANDING
Governmental Activities
(Payments made from assessments received in the Debt Service Fund and the Transportation Fund)

At June 30, 2006, there was only one special assessment district with outstanding bonds. Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The proceeds of the bond issues were used to finance construction in the Improvement District.

Improvement District	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
La Cholla Boulevard	$ 1,821	6.50%	2007-11	$ 911
Total special assessment bonds outstanding				$ 911

The following schedule details special assessment bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 182	$ 53
2008	182	41
2009	182	30
2010	182	18
2011	183	6
Total	$ 911	$ 148

CAPITAL LEASES
Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for $34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for telephone and computer equipment. The outstanding balance as of June 30, 2006, for these leases totaled $197.

The net book value of assets acquired through capital leases consists of $20,091 of buildings and $260 of equipment.

Note 7: Long-Term Liabilities (continued)

The following schedule details capital lease debt service requirements to maturity at June 30, 2006.

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	Principal	Interest	Principal	Interest
2007	$ 1,785	$ 1,230	$ 97	$ 6
2008	1,870	1,139	80	2
2009	1,965	1,062	20	
2010	2,025	982		
2011	2,125	879		
2012-2016	12,810	2,624		
2017-2018	5,755	243		
Total	$ 28,335	$ 8,159	$ 197	$ 8

SEWER REVENUE BONDS
Business-type Activities
(Payments made from user charges received in the Wastewater Management Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's wastewater management system. Of the total amount originally authorized, $3,943 from the May 20, 1997, and $150,000 from the May 18, 2004 bond election remain unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
Series of 1998	$ 29,185	4.00 - 5.50%	2007-15	$ 17,655
Series 2001 Refunding	19,440	4.00 - 5.40%	2007-15	14,980
Series 2004 Refunding	25,770	2.63 - 5.50%	2007-15	22,890
Sewer revenue bonds outstanding				55,525
Less unamortized deferred amount:				(3,815)
Total sewer revenue bonds outstanding				$ 51,710

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 5,570	$ 2,573
2008	5,800	2,340
2009	6,025	2,098
2010	5,280	1,816
2011	5,515	1,588
2012-2015	27,335	3,452
Total	$55,525	$13,867

Note 7: Long-Term Liabilities (continued)

LOANS PAYABLE
Business-type Activities
(Payments made from user charges received in the Wastewater Management Enterprise Fund)

Wastewater Management (WWM) entered into loan agreements (1996, 1997, 2000 and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. For the 2004 loan payable, principal payments to maturity are subject to change based upon the total amounts drawn down.
During fiscal year 05/06 the 2004 WIFA loan was amended to a total of $19,967. Of that amount, as of June 30, 2006, WWM has drawn down $18,538.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2006
1996 Loan Payable	$11,313	3.19%	2006-12	$9,069
1997 Loan Payable	7,500	2.95%	2006-11	3,670
2000 Loan Payable	61,180	2.20%	2006-16	49,090
2004 Loan Payable	18,538	1.81%	2006-24	18,538
Loans payable				80,367
Less unamortized deferred amount				(219)
Total loans payable				$80,148

The following schedule details loans payable debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$ 5,503	$ 2,777
2008	5,722	2,586
2009	5,955	2,375
2010	6,317	2,153
2011	7,604	1,901
2012-2016	33,623	5,631
2017-2021	11,574	1,282
2022-2025	4,069	206
Total	$80,367	$18,911

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Wastewater Management Fund)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

Note 7: Long-Term Liabilities (continued)

NOTES PAYABLE
Component Unit - Southwestern Fair Commission (SFC)
(Payments made from user charges)

Southwestern Fair Commission has a note payable to Pima County, due in annual installments of $50, unsecured and non-interest bearing.

Description	Interest Rates	Maturities	Outstanding June 30, 2006
Pima County	None	Annual installments until June 2007	$50

Southwestern Fair Commission's other notes payable are due in monthly installments and are secured by equipment, inventory, and accounts receivable.

Description	Interest Rates	Maturities	Outstanding June 30, 2006
Bank	Prime with 4% floor	Monthly installments until July 2008	$149
Bank	Wall Street Journal interest rate	Monthly installments until July 2008	45
Total			$194

The following schedule details Southwestern Fair Commission's notes payable debt service requirements to maturity at June 30, 2006.

Year Ending June 30,	Principal	Interest
2007	$104	$13
2008	53	9
2009	87	1
Total	$244	$23

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed six percent of the value of the County's taxable property as of the latest assessment. However, Pima County received voter approval to increase the debt limit to 15 percent of the value of taxable property. The legal debt margin at June 30, 2006, is as follows:

Net assessed valuation:		$6,050,950
Debt Limit (15% of net assessed valuation):		907,643
Amount of debt applicable to debt limit:		
General obligation bonds outstanding	$231,310	
Less net assets in debt service fund available for payment of general obligation bond principal	(5,571)	(225,739)
Legal debt margin available		$ 681,904

Note 7: Long-Term Liabilities (continued)

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed five percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2006, is as follows:

Net assessed valuation:		$5,323,433
Debt Limit (5% of net assessed valuation):		266,171
Amount of debt applicable to debt limit:		
Flood Control general obligation bonds outstanding	$2,230	
Less net assets in debt service fund available for payment of flood control bond principal	(24)	(2,206)
Legal debt margin available		$ 263,965

Note 8: Short-Term Debt

LINE OF CREDIT

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association to meet its short-term cash needs. At June 30, 2006, the County had an outstanding balance of $0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	July 1, 2005 Balance	Draws	Repayments	June 30, 2006 Balance
Line of credit	$0	$36,000	$36,000	$0

Note 9: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and postclosure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and postclosure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The $16,268 reported as landfill closure and postclosure care liability in the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of $6,675 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended June 30, 2006; actual costs may change due to inflation, changes in technology, or changes in regulations.

Note 9: Landfill Liabilities (continued)

Landfill Site	Capacity Used June 30, 2006	Estimated Remaining Service Life
Ajo *	100%	
Sahuarita **	43%	17 Years
Tangerine **	82%	3 Years

* Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion.

** The Sahuarita and Tangerine Landfill capacities were adjusted from 5,233,952 cu. yd. and 5,737,761 cu. yd. at June 30, 2005 to 4,932,103 cu. yd. and 6,484,362 cu. yd. at June 30, 2006, respectively. Concurrently, the estimated years of closure were adjusted to 2023 and 2009, respectively.

The County plans to fund the estimated closure and postclosure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

The Ina Road Landfill facility is closed to municipal solid waste and only receives construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately $9,011 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

Note 10: Retirement Plans

Plan Descriptions

The County contributes to the Arizona State Retirement System **(ASRS),** the Corrections Officer Retirement Plan **(CORP),** the Public Safety Personnel Retirement System **(PSPRS),** consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan **(EORP).** The **EORP** and the **PSPRS** - Pima County, County Attorney Investigators, are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The **PSPRS** is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS**, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 209 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona's Department of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and 19 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Note 10: Retirement Plans (continued)

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the applicable plan.

ASRS

3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85012-0250
(602) 240-2000 or
(800) 621-3778

PSPRS and CORP

3010 East Camelback Road
Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-sharing plans For the year ended June 30, 2006, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 7.40 percent (6.90 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The County's contributions to **ASRS** for the years ended June 30, 2006, 2005 and 2004 were $17,551, $12,602 and $13,231 respectively, which were equal to the required contributions for the applicable year.

Agent plans For the year ended June 30, 2006, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 13.71 percent. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. Active **CORP** members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 6.59 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2006, and related information follow:

	PSPRS	**CORP**
Contribution rates:		
County	17.36%	6.59%
Plan members	4.00%	8.50%
Annual pension cost	$ 4,720	$ 1,088
Contributions made	$ 4,720	$ 1,088
Actuarial valuation date	June 30, 2004	June 30, 2004
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	8.75%	8.75%
Projected salary increases	6.25% - 9.25%	5.25% - 9.25%
includes inflation at	5.25%	5.25%
Amortization method	Level percent open	Level percent open
Remaining amortization period	20 years	20 years
Asset valuation method	smoothed market	smoothed market

Note 10: Retirement Plans (continued)

Trend Information: Information for each of the three most recent actuarial valuations for each of the agent plans follows:

Contributions Required and Contributions Made

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2006	$ 4,720	100%	$ -
	2005	3,325	100%	-
	2004	2,694	100%	-
CORP	2006	$ 1,088	100%	$ -
	2005	782	100%	-
	2004	632	100%	-

Note 11: Segment Information

The Wastewater Management Enterprise Fund operates the sewer system, which provides wastewater collection, treatment, and disposal throughout Pima County. All revenues generated by the ownership, use, and operation of Pima County's sewer system are pledged in support of sewer system debt. In addition, debt covenants require sewer system revenues, expenses, gains, losses, assets and liabilities to be accounted for separately. As a result, condensed financial information for the Fund is presented in the following table.

CONDENSED STATEMENT OF NET ASSETS

	Wastewater Management Liquid Waste
Assets:	
Current assets	$ 68,668
Due from other funds	1
Capital assets, net	587,954
Other non-current assets	1,243
Total assets	657,866
Liabilities:	
Current liabilities	26,679
Due to other funds	177
Non-current liabilities	125,347
Total liabilities	152,203
Net assets:	
Invested in capital assets, net of related debt	456,846
Restricted	4,794
Unrestricted	44,023
Total net assets	$ 505,663

Note 11: Segment Information (continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

	Wastewater Management Liquid Waste
Operating revenues/(expenses):	
Charges for services	$ 62,274
Depreciation expense	(20,416)
Other operating expenses	(56,902)
Operating loss	(15,044)
Non-operating revenues/(expenses):	
Sewer connection revenue	42,220
Other non-operating revenues	3,220
Interest expense	(4,624)
Loss on disposal of capital assets	(20)
Other non-operating expenses	(97)
Capital contributions	14,607
Transfers out to other county funds	(22)
Change in net assets	40,240
Beginning net assets	465,423
Ending net assets	$ 505,663

CONDENSED STATEMENT OF CASH FLOWS

Net cash provide by:	
Operating activities	$ 4,582
Non-capital financing activities	625
Capital and related financing activities	15,356
Investing activities	1,862
Net increase	22,425
Beginning cash and cash equivalents	35,000
Ending cash and cash equivalents	$ 57,425

Note 12: Interfund Transactions

Interfund Assets/Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due from:

Amounts recorded as due to:	General	Transportation	Capital Projects	Other Governmental	PHS & Services	Wastewater Management	Internal Service	Total
General			$ 22	$ 919	$ 1		$ 310	$ 1,252
Transportation	81							$ 81
Capital Projects	$ 63	$ 48						111
Other Governmental	2,832			38			70	2,940
Pima Health System & Services	1,657							1,657
Wastewater Management	29		124	23			1	177
Other Enterprise	4			2	$	1		7
Internal Service	3			99				102
Total	$ 4,669	$ 48	$ 146	$ 1,081	$ 1	$ 1	$ 381	$ 6,327

Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	General	Transportation	Other Governmental	Wastewater Management	Total
General		$ 130	$ 3,433		$ 3,563
Transportation				$ 22	22
Capital Projects		7,000	10,529		17,529
Other Governmental	$ 15,580	17,787	1,178	4,289	38,834
Internal Service	626				626
Total	$ 16,206	$ 24,917	$ 15,140	$ 4,311	$ 60,574

The table above does not include transfers of capital assets and long-term liabilities from proprietary funds to governmental activities because these transfers are not reported in the governmental funds. During the year, the County reclassified the Solid Waste Division of the Wastewater Management Enterprise Fund to the Solid Waste Special Revenue Fund reported within the governmental funds. This resulted in a net transfer in to the Wastewater Management Enterprise Fund of $156, consisting of the following:

Net current assets and liabilities transfer to other governmental funds	$ (4,289)
Capital assets transfer to governmental activities	(11,335)
Long-term liabilities transfer to governmental activities	15,780
Total net transfer in to Wastewater Management Enterprise Fund	$ 156

Note 13: Construction and Other Significant Commitments

At June 30, 2006, Pima County had the following major contractual commitments related to Facilities Management, General Government, Pima Health Systems and Services, Transportation and Wastewater Management.

Facilities Management
At June 30, 2006, the Pima County Facilities Management Department had construction contractual commitments of $4,143. Funding for these expenditures will be provided from general obligation bonds.

General Government
At June 30, 2006, Pima County had contractual commitments related to service contracts for Human Resources of $45,530, Institutional Health of $105,859 and Risk Management of $1,161. Funding for these expenditures will be primarily provided from general fund revenues.

Pima Health Systems and Services
At June 30, 2006, Pima County had contractual commitments related to service contracts for Pima Health Systems & Services of $119,146. Funding for these expenditures will be primarily provided from federal and state funding sources.

Transportation
At June 30, 2006, the Pima County Transportation Department had construction contractual commitments of $21,263 and other contractual commitments related to service contracts of $7,871. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

Wastewater Management
At June 30, 2006, the Wastewater Management Enterprise fund had contractual commitments related to service contracts of $8,306.

Operating Leases
The County enters into operating leases for various equipment and office space. These leases are entered into with the provision that they may be canceled at the end of each fiscal year if future funding is not provided. Accordingly, these leases totaled $3,550 for the year ended June 30, 2006.

Note 14: Stewardship, Compliance, and Accountability (Deficit Fund Balances)

The Special Revenue Grants fund (a non-major governmental fund) had a deficit fund balance at June 30, 2006, of $260. This deficit can be eliminated in the future through normal operations.

Note 15: Non-cancelable Operating Leases

The County leases buildings and equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. The County rental expenditures under the terms of the non-cancelable operating leases were $139 for the year ended June 30, 2006. These leases have remaining terms of 4 to 9 years and provide renewal options. The future minimum payments required under these leases at June 30, 2006 are as follows.

		Governmental Activities
Year ending June 30,		
	2007	$ 142
	2008	142
	2009	142
	2010	142
	2011	113
	2012-2015	379
Total minimum lease payments		$ 1,060

Note 16: Subsequent Events

On July 1, 2006, the Pima County Free Library District (District) assumed the operations of library services, previously provided by the City of Tucson, in accordance with an intergovernmental agreement (IGA) with the City of Tucson (City). Under the IGA the City will provide transitional assistance to the District in the amount of $6,000, $4,000 and $2,000 for fiscal years ending June 30, 2007, 2008 and 2009 respectively. Subsequent to June 30, 2009, the City will provide no additional assistance.

Effective July 1, 2006, City library personnel became District employees with equivalent pay and benefits. Two of the library branch properties will be conveyed to the District with the remaining properties being leased at no cost for 50 years.

The Pima County Board of Supervisors approved an increase in tax revenues to the District, effective in fiscal year 2006-07.

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX G "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, SPECIAL COUNSEL, THE UNDERWRITER OR THE UNDERWRITER'S COUNSEL AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC, New York, New York, will act as securities depository for the 2007 Certificates. The 2007 Certificates 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 2007 Certificate will be issued for each maturity of the 2007 Certificates, each in the aggregate the principal amount of such maturity, and will be deposited with DTC. The owners of book-entry interests will not receive or have the right to receive physical delivery of 2007 Certificates.

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, as amended. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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, "Participants"). DTC has Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of 2007 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2007 Certificates on DTC's records. The ownership interest of each actual purchaser of a 2007 Certificate ("Beneficial Owner") is in turn to be recorded on the 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2007 Certificates are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2007 Certificates, except in the event that use of the book-entry-only system for the 2007 Certificates is discontinued.

To facilitate subsequent transfers, all 2007 Certificates 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 2007 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2007 Certificates; DTC's records reflect only the identity of the Direct

Participants to whose accounts such 2007 Certificates are credited, which may or may not be the Beneficial Owners. The Direct Participants 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 2007 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2007 Certificates such as redemptions, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of 2007 Certificates may wish to ascertain that the nominee holding the 2007 Certificates 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 Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2007 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2007 Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 the 2007 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2007 Certificates 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 Trustee on the 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 County or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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 Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2007 Certificates at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, 2007 Certificates are required to be printed and delivered. The County or the Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2007 Certificates will be printed and delivered to DTC.

THE COUNTY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2007 CERTIFICATES UNDER THE TRUST AGREEMENT; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2007 CERTIFICATES; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2007 CERTIFICATES; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2007 CERTIFICATES; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered Owner of the 2007 Certificates, as nominee for DTC, references herein to "Owner" or registered owners of the 2007 Certificates (other than under the captions "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2007 Certificates.

When reference is made herein to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

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APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill

Secretary

Effective Date:

Authorized Representative

Norada Lauro

Authorized Officer of Insurance Trustee

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

SPECIMEN

PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)

$28,765,000	**$1,555,000**
SERIES 2007-A	**TAXABLE SERIES 2007-B**

CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the execution and delivery of $28,765,000 principal amount of Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and $1,555,000 principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "Certificates") pursuant to a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement") between the County and U.S. Bank National Association, as trustee.

In connection with the Certificates, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Certificates and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" shall mean the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" shall mean the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" shall mean the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"Commission" shall mean the Securities and Exchange Commission.

"Dissemination Agent" shall mean any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Material Event" shall mean the occurrence of any of the events with respect to the Certificates set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIRs" shall mean, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail:Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail:nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999; 800-689-8466
Fax: (212) 771-7390
E-mail:NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

"Rule" shall mean Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"SID" shall mean any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Undertaking, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Undertaking.

"State" shall mean the State of Arizona.

"Undertaking" shall mean the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"Underwriter" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Certificates.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Certificates is 721664. The Final Official Statement relating to the Certificates is dated April 18, 2007.

4. Annual Information Disclosure. Subject to Section 10 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I), to all NRMSIRs and to the SID, if any. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual 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. Material Events Disclosure. Subject to Section 10 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to each NRMSIR, or to the MSRB and to the SID, if any.

6. Duty to Update NRMSIRs/SID. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to each NRMSIR, or to the MSRB and to the SID, if any, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Certificates. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Alternate Means of Disclosure. Notwithstanding the provisions of Sections 4, 5, 7, 10 and 11 requiring that the County file its Annual Information Disclosure, notice of any Material Event and notice of any failure to comply with this Undertaking or non-appropriation or termination with respect thereto with each of the NRMSIRS and any SID, the County may instead comply with the provisions of this Undertaking by filing the required information with an entity then recognized by the Commission as eligible to receive and submit such filings to the NRMSIRS and any SID for purposes of the Rule (a "Central Post Office"). As of the date of this Disclosure Undertaking, the Central Post Office that has been so recognized by the Commission is:

DisclosureUSA
P.O. Box 684667
Austin, Texas 78768-4667
Fax: (512) 476-6403
http://www.disclosureUSA.org

9. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment 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 County, or type of business conducted;

(b) This Undertaking, as amended, 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 does not materially impair the interests of the beneficial owners of the Certificates, as determined by an independent counsel or other entity unaffiliated with the County.

10. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to each NRMSIR and the SID.

11. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the

Certificates or the Rule no longer applies to the Certificates. The County shall give notice in a timely manner if this Section is applicable to each NRMSIR, or to the MSRB, and to the SID, if any.

12. Dissemination Agent. The County 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 Dissemination Agent, with or without appointing a successor Dissemination Agent.

13. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County 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 Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

14. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Certificates, and shall create no rights in any other person or entity.

15. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

16. Assignment. The County shall not transfer its obligations under the Certificate Resolution unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

17. Governing Law. This Undertaking shall be governed by the laws of the State.

[Signature page to follow]

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Date: May 1, 2007

383529

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" shall mean quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix B in the tables entitled "PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES," "PIMA COUNTY, ARIZONA, STATEMENT OF FUND BALANCES – ALL GOVERNMENTAL FUND TYPES" and "PIMA COUNTY, ARIZONA, COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE."

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 to each NRMSIR and to the SID, if any, 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 Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, no later than the first business day in February of each year, commencing February 1, 2008. Audited Financial Statements as described below should be filed with each NRMSIR and to the SID, if any, 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 generally accepted accounting principles, as applied to governmental units as modified by State law ("GAAP"), Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the 2007-A Certificates
7. Modifications to the rights of holders of the Certificates
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Certificates
11. Rating changes

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona
County of Pima ss

I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.

I further certify that the attached resolution entitled

RESOLUTION NO. 2007- 24

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 6th *day of* February, 2007, *at which a quorum was present, and that the original resolution is officially of record in my possession.*

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this* 25th *day of* April, 2007.

Lori Godoshian
Clerk

RESOLUTION NO. 2007-_24

RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA RELATING TO THE ACQUISITION, CONSTRUCTION, IMPROVEMENT AND EQUIPPING OF CERTAIN REAL AND PERSONAL PROPERTY OF THE COUNTY AND THE LEASE-PURCHASE FINANCING OF SUCH PROPERTY; AUTHORIZING THE EXECUTION AND DELIVERY OF GROUND LEASES, LEASE-PURCHASE AGREEMENTS AND TRUST AGREEMENTS OR AMENDMENTS THERETO AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; APPROVING THE EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION TO PROVIDE THE NECESSARY FINANCING THEREFOR; AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH; REPEALING RESOLUTION NO. 2007-19; AND DECLARING AN EMERGENCY.

WHEREAS, Pima County, Arizona (the "County") intends to acquire and make improvements to the Bank of America Plaza, 33 North Stone Avenue, Tucson, Arizona and the underlying site therefor (the "Justice Building Project") for use as a County facility and also intends to construct, improve and equip certain facilities of the County to be known as the Jackson Learning Center (the "Jackson Learning Center Project" and, together with the Justice Building Project, the "Project"); and

WHEREAS, this Board of Supervisors (the "Board") of the County upon due investigation and consideration, has found and determined that it is desirable and necessary to employ lease-purchase financing for all or a portion of the Project; and

WHEREAS, in connection with the acquisition, construction, installation, improving, equipping and lease-purchasing of the Project, it is necessary that the County enter into a ground lease or amendments or supplements to existing ground leases (collectively, the "Ground Lease") with respect to certain real property owned or acquired by the County for such purpose (the "Sites") with a lessee which will cause certain improvements to be constructed or placed thereon; and

WHEREAS, this Board has determined that it is in the best fiscal interest of the County that financing for the acquisition, construction, installation, improving and equipping of the Project be undertaken through the execution and delivery of certificates of participation, in one or more series (the "Certificates"), evidencing and representing proportionate interests of the owners thereof in lease payments to be made by the County pursuant to a Lease-Purchase Agreement or to amendments or supplements to existing Lease-Purchase Agreements (collectively, the "Lease Agreement") between the County and the Trustee (defined below), as lessor, and to approve and execute all required legal documents in connection with such acquisition, construction, installation, improvement, equipping and financing; and

WHEREAS, the Certificates will be executed, delivered and paid in accordance with the terms of a Trust Agreement or amendments or supplements to existing Trust Agreements

(collectively, the "Trust Agreement"), between the County and a bank or banks serving as trustee (the "Trustee") in connection with the Certificates; and

WHEREAS, it will also be necessary for the County to enter into a Project Agreement (the "Project Agreement") with the Trustee; and

WHEREAS, the Certificates will be offered for sale pursuant to a Preliminary Official Statement (the "Preliminary Official Statement"), which, with conforming changes, will become the Official Statement (the "Official Statement") and sold pursuant to one or more Certificate Purchase Agreements (collectively, the "Purchase Agreement") among the County, the Trustee and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Original Purchaser"); and

WHEREAS, in connection with the execution and delivery of the Certificates, Securities and Exchange Commission Rule 15(c)2-12 may require the County to make certain agreements for the benefit of holders and beneficial owners from time to time of the Certificates, as evidenced in one or more Continuing Disclosure Undertakings from the County (the "Continuing Disclosure Undertaking"); and

WHEREAS, the County has the general power and authority to enter into and deliver the Lease Agreement, the Ground Lease, the Trust Agreement, the Project Agreement, the Purchase Agreement, the Continuing Disclosure Undertaking and such additional agreements (collectively, the "Board Documents") or amendments thereto and has determined that it is advantageous and in the public interest to approve the execution, sale and delivery of the Certificates in order to secure the financial advantages for the County:

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

1. The acquisition, construction, installation, improving and equipping of the Project are hereby authorized and approved.

2. The terms and conditions for the financing of the Project by providing for the execution and delivery of the Certificates for this purpose are hereby approved.

3. The Chairman of this Board, the County Administrator of the County, or the designees of either of them (each an "Authorized Officer") are each hereby authorized, empowered and directed, with the approval of counsel to the County, in the name and on behalf of the County, to execute or attest, as required, and deliver the County Documents, in such forms as shall be reviewed and approved by the Authorized Officer executing the same and by counsel to the County.

4. From and after the execution and delivery of the County Documents in definitive form by the County and the other parties thereto, as required, the officers, agents and employees of the County are hereby authorized, empowered and directed to do all such acts and things and to execute all such agreements, documents, instruments and Certificates as may be necessary to carry out and comply with the provisions thereof, including but not limited to the appointment of

the Trustee and the lessor, the execution of a tax compliance certificate or any other such document necessary in relation to the tax-exempt status of the Certificates.

5. The execution, sale and delivery of the Certificates, in one or more series, each in a principal amount which produces net proceeds (net of original issue discount) of not exceeding $32,000,000, plus any amount necessary to fund a deposit to a debt service reserve fund, bearing interest at the rate or rates per annum (which fixed rates do not exceed a yield of 7.50% per annum, computed in accordance with Section 148 of the Internal Revenue Code of 1986, as amended) and on the other terms and conditions to be provided in the Purchase Agreement and the Trust Agreement (as executed and delivered) are consistent with this Resolution, and are in all respects, approved. The Certificates shall be sold and awarded to the Original Purchaser at a price of not less than 98% of par (excluding any original issue discount). The Certificates shall mature over a period of not more than 25 years from the date of issuance, may be subject to mandatory or optional redemption and/or tender for purchase prior to maturity and shall have such other terms, all as provided in the Trust Agreement and Purchase Agreement (as executed and delivered).

6. The distribution of the Preliminary Official Statement by the Original Purchaser is hereby approved and the Official Statement in substantially the form of the related Preliminary Official Statement, with such changes or revisions therein from the form of the related Preliminary Official Statement as may be approved by the Authorized Officer executing the same, is hereby approved, and any Authorized Officer is hereby, authorized, empowered and directed, in the name and on behalf of the County, to execute and deliver the same to the Original Purchaser, and to execute and deliver instruments confirming that the Preliminary Official Statement are each "deemed final" in accordance with Securities and Exchange Commission Rule 15(c)2-12.

7. If the County Administrator or his designee determines that the purchase of an insurance policy securing payment of the Certificates or a surety bond or other reserve fund guaranty would be advantageous to the County or the terms of the financing represented by the Certificates, any officer, agent or employee of the County is hereby authorized to negotiate with and secure, with proceeds of the Certificates 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. Each Authorized Officer is hereby further 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.

8. The Authorized Officers are each hereby designated and appointed as the Lessee Representative, as defined in the Lease Agreement, and each of them is authorized to execute in the name of and on behalf of the County any closing documents, certificates, or other instruments or documents necessary or appropriate in connection with the transactions described in or contemplated by the related Official Statement, the Purchase Agreement, the Lease Agreement, the Ground Lease, or the Trust Agreement or amendments or supplements thereto and to do all acts and things as may be necessary or desirable to carry out the terms and intent of this Resolution and of any of the documents referred to herein.

9. The proceeds received by the Trustee from the sale of the Certificates shall be applied as provided in the Trust Agreement and the Lease Agreement.

10. All actions of the officers, agents and employees of the County which are in conformity with the purposes and intent of the foregoing resolutions be, and the same are hereby, in all respects, authorized, approved, ratified and confirmed.

11. This Resolution replaces the authorization contained in Resolution No. 2007-19, adopted by this Board on January 16, 2007, and said Resolution No. 2007-19 is hereby repealed.

12. Emergency. It is necessary to utilize an emergency clause with this Resolution to allow the marketing and sale of the Certificates to proceed as soon as document preparation and market conditions permit, thereby committing the Original Purchaser to the interest rates the Certificates will bear, transferring the market risk of changes in interest rate levels from the County to the Original Purchase and permitting delivery of and payment for the Certificates to occur as soon as is possible.

WHEREAS, the immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety of the County, an emergency is hereby declared to exist, and this Resolution is enacted as an emergency measure and will be in full force and effect after its passage, adoption and approval by the Board of Supervisors and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

[Remainder of page intentionally left blank.]

PASSED, ADOPTED AND APPROVED by the Board of Supervisors of Pima County, Arizona, on February 6, 2007.

PIMA COUNTY

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE, SANDERS & DEMPSEY L.L.P.,
Bond Counsel

By: _____
Timothy E. Pickrell

NOTES/ACTION

AGENDA, BOARD OF SUPERVISORS' MEETING

BOARD OF SUPERVISORS' HEARING ROOM

130 W. CONGRESS, 1ST FLOOR

FEBRUARY 6, 2007 9:00 A.M.

1. **ROLL CALL**

2. **INVOCATION**

3. **PLEDGE OF ALLEGIANCE**

4. **PAUSE 4 PAWS**

... **EXECUTIVE SESSIONS**

Public discussion and action may occur on the executive session items listed below during the regularly scheduled meeting.

A. Pursuant to A.R.S. §38-431.03(A)(3)and(4), for legal advice and direction regarding Board of Adjustment Decision Co10(4)06-40, Robinson - North Lynford Place.

B. Pursuant to A.R.S. §38-431.03(A)(3)and(4), for legal advice and direction regarding settlement of Old Vail Station, L.L.C. v. Pima County, Pima County Superior Court Cause No. C20053210.

C. Pursuant to A.R.S. §38-431.03(A)(3)and(4), for legal advice and direction regarding Frank, Cindy and Lisa Donnes v. Pima County, Arizona Tax Court Case No. ST2006-000106.

D. Pursuant to A.R.S. §38-431.03(A)(3)and(4), for legal advice and direction regarding Pima County's appeal of the Arizona State Land Department's decision to grant mining leases on land located in the area of Davidson

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NOTES/ACTION

ADDENDUM, BOARD OF SUPERVISORS' MEETING

BOARD OF SUPERVISORS' HEARING ROOM

130 W. CONGRESS, 1ST FLOOR

FEBRUARY 6, 2007 9:00 A.M.

... **EXECUTIVE SESSION**

Public discussion and action may occur on the executive session item listed below during the regularly scheduled meeting.

Pursuant to A.R.S. §38-431.03(A)(3) and (4), for legal advice and direction regarding litigation strategies in the case of Dos Picos Land Limited Partnership v. Pima County, Pinal County Superior Court Cause No. CV200500478.

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

1. **BOARD OF SUPERVISORS**

RESOLUTION NO. 2007 - **23**, of the Board of Supervisors, relating to payday loan operations, supporting legislation to repeal the law allowing payday lending, or in the alternative to set a maximum payday-loan interest rate that protects borrowers from exploitation.

2. **FINANCE AND RISK MANAGEMENT**

RESOLUTION NO. 2007 - **24**, of the Board of Supervisors of Pima County, Arizona, relating to the acquisition, construction, improvement and equipping certain real and personal property of the County and the lease-purchase financing of such property; authorizing the execution and delivery of ground leases, lease-purchase agreements and trust agreements or amendments thereto and other necessary agreements, instruments and documents; approving the execution

and delivery of certificates of participation to provide the necessary financing, therefore; authorizing other actions and matters in connection therewith; repealing Resolution No. 2007-19; and declaring an emergency.

3. **PROCUREMENT**

CONTRACT

Southwestern Fair Commission, Inc., to provide a Management Agreement to manage, maintain and improve the fairgrounds, General Fund, contract amount $250.00/25 year term (11-71-S-139178-0206)

4. **BOARDS, COMMISSIONS AND/OR COMMITTEES**

A. Pima County Bond Advisory Committee

1. Appointment of Anne Doris to replace Jan Lesher. Term expiration: 2/29/13. (District 2)

2. Appointment of Rick Myers. Term expiration: 2/29/13. (County Administrator)

B. Building Codes Board of Appeals

Reappointment of Alex Jacome, Citizen. Term: 5/2/07 - 5/1/11. (Staff recommendation)

C. Corrections Officer Retirement Board

Appointment of Dale Peet, Elected Representative, to replace Sean Stewart. Term expiration: 12/31/11. (Committee recommendation)

D. Mechanical/Plumbing Code Committee

Appointment of Kenneth M. Cawthorne, Citizen, to replace Todd C. Scholer. Term: 5/2/07 - 5/1/11. (Staff recommendation)

NOTES/ACTION

E. Metropolitan Education Commission

Appointment of Mark DeWeerdt, representing Teachers, Grades K-6 (AZ Education Association) to replace Elaine Upham. Term expiration: 1/16/10. (Committee recommendation)

POSTED: Levels A & B, 1st and 5th Floors, Pima County Administration Building.

DATE POSTED: 2/02/07

TIME POSTED: 11:00 A.M.

PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)

$28,765,000	**$1,555,000**
SERIES 2007-A	**TAXABLE SERIES 2007-B**

GENERAL CERTIFICATE OF THE COUNTY

The undersigned, the Chairman and the Clerk, respectively, of the Board of Supervisors of Pima County, Arizona (the "County"), acting for and on behalf of the County, do hereby certify as follows with respect to the above-described Certificates of Participation, (Justice Building Project), Series 2007-A and Taxable Series 2007-B (the "Certificates"):

1. They are the duly appointed, qualified and acting Chairman and Clerk of the Board of Supervisors of the County and, as such, are familiar with the books, records and proceedings of the County and are charged with the responsibility on behalf of the County for the execution and delivery of the Certificates.

2. Each of the following documents (collectively, the "Documents") has been executed and delivered by the Chairman and attested by the Clerk of the Board of Supervisors of the County or by the Director of Finance and Risk Management of the County:

Document	Date	Other Party(ies)
Ground Lease	May 1, 2007	U.S. Bank National Association, ("Trustee")
Lease-Purchase Agreement	May 1, 2007	Trustee
Trust Agreement	May 1, 2007	Trustee
Project Agreement	May 1, 2007	Trustee
Certificate Purchase Agreement	April 18, 2007	Trustee RBC Dain Rauscher Inc., as Underwriter
Continuing Disclosure Undertaking	May 1, 2007	None
Tax Compliance Certificate	May 1, 2007	None

The Ground Lease, the Lease-Purchase Agreement, the Trust Agreement, the Project Agreement, the Certificate Purchase Agreement, the Continuing Disclosure Undertaking, and the Tax Compliance Certificate are herein sometimes collectively referred to as the "County Documents".

3. The following persons were, at all relevant times from and after February 6, 2007, through the date hereof, the duly qualified and acting Supervisors and officers of the County set forth opposite their respective names:

Title	Name
Chairman	Richard Elías
Supervisor	Sharon Bronson
Supervisor	Ray Carroll
Supervisor	Ann Day
Supervisor	Ramón Valdez

4. No authority or proceedings for the execution and delivery of the Certificates or the execution and delivery of the County Documents has been rescinded or superseded and no referendum or other petition to revoke or alter the authorization of the Certificates or the County Documents has been filed with or received by the County.

5. The adoption of Resolution No. 2007-24 by the Board of Supervisors on February 6, 2007, authorizing the Certificates and the execution and delivery of the County Documents, and the execution and delivery of the County Documents and compliance with the provisions thereof does not and will not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under, any existing ordinance or resolution of the County, including without limitation any requirement of competitive bidding, any existing law, court or administrative regulation, decree, order or any agreement, indenture, mortgage, lease, sublease or other instrument to which the County is a party or by which it or any of its properties is bound.

6. By execution and delivery hereof, the County requests that the Certificates be executed and delivered by the appropriate officials of the Trustee and delivered against payment therefor as provided in the Trust Agreement and the Certificate Purchase Agreement.

7. Responsive to the Certificate Purchase Agreement, to the best knowledge, information and belief of the undersigned:

(i) the representations and warranties of the County contained in the Certificate Purchase Agreement are true and correct in all material respects on and as of the date hereof as if made on the date hereof;

(ii) except as otherwise set forth in the Official Statement, no litigation or proceeding against it is pending or, to the best knowledge of the undersigned, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the County to hold and exercise their respective positions, (b) contest the due organization and valid existence of the County, (c) contest the validity, due authorization and execution of the Certificates, the County Documents or the Trustee Documents, (d) attempt to limit, enjoin or otherwise restrict or prevent the County from functioning and appropriating lease payments or other amounts, including payments on the Certificates, pursuant to the County Documents, or (e) which if resolved adversely to the County, would have a material adverse effect on (I) the functioning of the County or the operations of the County, as described in the Official

Statement, its revenues or its properties, or payment by the County of the amounts due under the Lease in the manner and time required thereby or (II) the validity or enforceability of the Lease or the financial condition of the County or its operations;

(iii) the Resolution has been duly adopted by the Board of Supervisors of the County, is in full force and effect and has not been modified, amended or repealed;

(iv) the audited financial statements included as Appendix F to the Preliminary Official Statement and the Official Statement were true and correct as of June 30, 2006, and the other financial statements and other financial and statistical data included in the Preliminary Official Statement and the final Official Statement are true and correct as of the date hereof, and

(v) no event affecting the County has occurred since the date of the Final Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Final Official Statement (excluding the information under the headings "CERTIFICATE INSURANCE", "TAX MATTERS", "RATINGS", and "UNDERWRITING" and in Appendices D and G thereof) is correct in all material respects and, as of the date of the Official Statement did not, and as of the date hereof 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 made therein, in the light of the circumstances under which they were made, not misleading.

Capitalized terms used herein and not defined shall have the meaning assigned to such term in the Certificate Purchase Agreement.

8. The exceptions to title shown on Schedule B of the title insurance policy issued by Ticor Title Insurance Company on the date hereof with respect to the Leased Property (as defined in the Lease-Purchase Agreement) will not materially impair the use of such Leased Property for the purposes of the Lease-Purchase Agreement or the security granted to the Trustee in the Trust Agreement.

[Signature page to follow]

Dated: May 1, 2007

PIMA COUNTY, ARIZONA

By: _____
Chairman, Board of Supervisors

Attest:

_____
Clerk, Board of Supervisors

384578.2

TAX COMPLIANCE CERTIFICATE
OF ISSUER
Pertaining to
$28,765,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
SERIES 2007-A

Dated as of May 1, 2007

PIMA COUNTY, ARIZONA ("Issuer"), by its officer signing this Certificate, certifies, represents, and covenants as follows with respect to the captioned bonds ("Issue"). All statements in this Certificate are of facts or, as to events to occur in the future, reasonable expectations. Terms used herein, to the extent not defined in Attachment A or below, have the same meanings as defined in the Trust Agreement (as defined below) between the Issuer and U.S. Bank National Association, as trustee thereunder ("Trustee").

I. DEFINITIONS

1.10 Attachment A. The definitions and cross-references set forth in Attachment A apply to this Certificate and its Attachments. All capitalized terms relating to a particular issue, such as Sale Proceeds, relate to the Issue, unless indicated otherwise. (For example, "Sale Proceeds" refers to Sale Proceeds of the Issue, unless indicated otherwise.)

1.20 Special Definitions. In addition, the following definitions apply to this Certificate and its Attachments:

"Certificate Fund" means the portion of the Lease Payment Fund established pursuant to the Trust Agreement that is allocable to the Issue.

"Certificate Insurance" means the policy of bond insurance pertaining to the Issue issued by the Certificate Insurer.

"Certificate Insurer" means Ambac Assurance Corporation.

"Instructions" means the Rebate Instructions attached hereto as Attachment A-1.

"Project" means, collectively, the costs incurred by the Issuer in connection with acquiring, constructing, equipping and improving projects described, in a general way, as (i) acquiring and improving an existing office tower and underlying site and appurtenant parking easement, situated in the City of Tucson, Arizona, for use primarily by criminal justice personnel of the Issuer (the "Justice Building Project") and acquiring and constructing replacement facilities for the Issuer's Community Services Department on a site owned by the Issuer and located in the City of South Tucson, Arizona (the "Community Services Department Facilities"), and includes Issuance Costs and interest on the Issue for up to three years from the Issuance Date or,

if later, one year after the date the Project is placed in service, all of which are governmental purposes for purposes of the Code.

"Taxable Certificates" means the $1,555,000 aggregate principal amount of the Issuer's Certificates of Participation (Justice Building Project), Taxable Series 2007-B, the interest on which is subject to federal income tax.

"Underwriter" means RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets.

1.30 References. Reference to a Section means a section of the Code. Reference by number only (for example, "2.10") means that numbered paragraph of this Certificate. Reference to an Attachment means an attachment to this Certificate.

II. ISSUE DATA

2.10 Issuer. The Issuer is a Governmental Unit.

2.20 Purpose of Issue. The Issue is being issued to provide funds to (A) pay costs of the Project, (B) pay the premium for the Certificate Insurance, and (C) pay Issuance Costs. The Issue was sold and is being delivered contemporaneously with the Taxable Certificates, which are being issued for the purpose of paying a portion of the Project Costs for the Justice Building Project.

2.30 Dates. The Sale Date is April 18, 2007, and the Issuance Date is May 1, 2007. The final maturity date of the Issue is July 1, 2022.

2.40 Issue Price. The Issue Price is set forth in Attachment B and is computed as follows:

Par Amount	$28,765,000.00
Net original issue discount	1,427,246.55
Pre-Issuance Accrued Interest	0.00
Issue Price	$30,192,246.55

2.50 Sale Proceeds, Net Proceeds and Net Sale Proceeds. The Sale Proceeds, Net Proceeds and Net Sale Proceeds are as follows:

Issue Price	$30,192,246.55
Pre-Issuance Accrued Interest	(0.00)
Sale Proceeds	$30,192,246.55
Deposit to reserve fund	(0.00)
Net Proceeds	$30,192,246.55
Minor Portion	(100,000.00)
Net Sale Proceeds	$30,092,246.55

2.60 Disposition of Sale Proceeds and Pre-Issuance Accrued Interest. There is no Pre-Issuance Accrued Interest. The Sale Proceeds will be applied as follows:

To pay costs of the Project	$29,562,030.20
To pay the Certificate Insurance premium	132,221.17
To pay Underwriters' discount	388,327.50
To pay other Issuance Costs	109,667.68
Total Sale Proceeds	$30,192,246.55

2.70 Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) those Gross Proceeds identified in 3.10, 3.20, and 3.30, but only during the applicable Temporary Periods there described for those Gross Proceeds, and (B) the Minor Portion to the extent provided in 3.70.

2.80 Single Issue. All of the obligations of the Issue were sold on the Sale Date pursuant to the same plan of financing and are expected to be paid from substantially the same source of funds. Whether obligations are expected to be paid from substantially the same source of funds is determined without regard to guarantees from a person who is not a Related Party to the Issuer. Accordingly, all of the obligations of the Issue constitute a single "issue" for federal income tax purposes. No obligations, other than those comprising the Issue and the Taxable Certificates, have been or will be sold less than 15 days before or after the Sale Date that are expected to be paid from substantially the same source of funds as the Issue. Accordingly, no obligations other than those comprising the Issue are a part of a single issue with the Issue.

III. ARBITRAGE (NONREBATE) MATTERS

3.10 Use of Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods; Transferred Proceeds.

(A) Pre-Issuance Accrued Interest. There is no Pre-Issuance Accrued Interest.

(B) Underwriters' Discount, Issuance Costs and Certificate Insurance. Sale Proceeds in the amount of $388,327.50 will be retained by the Underwriters from the Issue Price otherwise paid to the Issuer to purchase the Issue as compensation for their services in marketing the Issue to the public. Sale Proceeds in the amount of $109,667.68 will be used to pay other Issuance Costs within 13 months from the Issuance Date, such period being the Temporary Period for that amount. Sale Proceeds in the amount of $132,221.17 will not be invested but will be used on the Issuance Date to pay the premium for the Certificate Insurance, which constitutes a Qualified Guarantee. See 5.30 and Attachments B and C.

(C) Payment of Project Costs.

(1) Sale Proceeds in the amount of $29,562,030.20 will be used to pay a portion of the costs of the Project. Such Sale Proceeds may be used to acquire or hold Higher Yielding Investments for a period ending on the third anniversary of the

Issuance Date (such period being the Temporary Period for such amount) because the following three tests are reasonably expected to be satisfied:

(a) At least 85% of the Net Sale Proceeds will be allocated to expenditures on the Project by the end of the Temporary Period for such Net Sale Proceeds;

(b) Within 6 months of the Issuance Date, the Issuer will incur substantial binding obligations to one or more third parties to expend at least 5% of the Net Sale Proceeds on the Project; and

(c) Completion of the Project and allocation of the Net Sale Proceeds to expenditures with respect to the Project will proceed with due diligence.

Any Sale Proceeds that remain unspent on the third anniversary of the Issuance Date, which is the expiration date of the Temporary Period for such Proceeds, shall not be invested in Higher Yielding Investments with respect to the Issue after that date except as part of the Minor Portion. In complying with the foregoing sentence, the Issuer may take into account "yield reduction payments" (within the meaning of Regulations §1.148-5(c)) timely paid to the United States.

(2) No Proceeds of the Issue will be used to reimburse the Issuer for Capital Expenditures comprising a portion of the Project paid before this date.

3.20 Investment Proceeds. Any Investment Proceeds will be used to pay costs of the Project and may be invested in Higher Yielding Investments during the Temporary Period identified in 3.10(C) or, if longer, during the one year period from the date of receipt, such period being the Temporary Period for such Proceeds.

3.30 Certificate Fund. The Certificate Fund is a Bona Fide Debt Service Fund. Amounts deposited from time to time in the Certificate Fund will be used to pay Debt Service within 13 months after the amounts are so deposited, such period being the Temporary Period for such amounts.

3.40 No Other Replacement Fund or Assured Available Funds. The Issuer has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay Debt Service other than the Certificate Fund. Except for money referred to in 3.30 and Proceeds of a Refunding Issue, if any, no other money or Investment Property is or will be pledged as collateral or used for the payment of Debt Service (or for the reimbursement of any others who may provide money to pay that Debt Service), or is or will be restricted, dedicated, encumbered, or set aside in any way as to afford the holders of the Issue reasonable assurance of the availability of such money or Investment Property to pay Debt Service.

3.50 No Overissuance. The Proceeds are not reasonably expected to exceed the amount needed for the governmental purposes of the Issue as set forth in 2.20.

3.60 Other Uses of Proceeds Negated. Except as stated otherwise in this Certificate, none of the Proceeds will be used:

(A) to pay principal of or interest on, refund, renew, roll over, retire, or replace any other obligations issued by or on behalf of the Issuer or any other Governmental Unit,

(B) to replace any Proceeds of another issue that were not expended on the project for which such other issue was issued,

(C) to replace any money that was or will be used directly or indirectly to acquire Higher Yielding Investments,

(D) to make a loan to any person or other Governmental Unit,

(E) to pay any Working Capital Expenditures other than expenditures identified in Regulations §1.148-6(d)(3)(ii)(A) and (B) (i.e., Issuance Costs, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee or for a Qualified Hedge, interest on the Issue for a period commencing on the Issuance Date and ending on the date that is the later of three years from such Issuance Date or one year after the date on which the Project financed by the Issue is Placed in Service, payments of the Rebate Amount, and costs, other than those already described, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed or deemed financed by the Issue, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund) and expenditures for extraordinary, nonrecurring items that are not customarily payable from current revenues, such as casualty losses or extraordinary legal judgments in amounts in excess of reasonable insurance coverage, or

(F) to reimburse any expenditures made prior to the Issuance Date that do not satisfy the requirements for a Reimbursement Allocation.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.70 Minor Portion. The Minor Portion of $100,000.00 may be invested in Higher Yielding Investments.

3.80 No Other Replacement Proceeds. That portion of the Issue that is to be used to finance or refinance Capital Expenditures has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of the property resulting from such Capital Expenditures.

IV. REBATE MATTERS

4.10 Issuer Obligation Regarding Rebate. Consistent with its covenants contained in the Lease-Purchase Agreement, the Issuer will calculate and make, or cause to be calculated and made, payments of the Rebate Amount in the amounts and at the times and in the manner

provided in Section 148(f) and the Instructions with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

4.20 No Avoidance of Rebate Amount. No amounts that are required to be paid to the United States will be used to make any payment to a party other than the United States through a transaction or a series of transactions that reduces the amount earned on any Investment Property or that results in a smaller profit or a larger loss on any Investment Property than would have resulted in an arm's length transaction in which the Yield on the Issue was not relevant to either party to the transaction.

4.30 Exceptions.

(A) Notwithstanding the foregoing, the computations and payments of amounts to the United States referred to in IV. need not be made to the extent that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Issue, based on an Opinion of Bond Counsel.

(B) The Issue is not a Construction Issue, but the Issuer hereby elects to treat the Issue as consisting of a Construction Portion and a Non-Construction Portion for purposes of the "2-year exception" under Reg. §1.148-7(e) to the requirement to make payments of the Rebate Amount. The Construction Portion, if treated as a separate issue, would qualify as a Construction Issue and will finance all of the Construction Expenditures to be financed by the Issue. The portion of the Issue Price allocable to the Construction Portion is $8,157,270.00. The Issuer hereby elects to apply the 2-year spending exception to the rebate requirement with respect to the Construction Portion on the basis of actual facts instead of the Issuer's reasonable expectations. All of the Construction Expenditures will be paid or reimbursed from Proceeds of the Construction Portion.

V. OTHER TAX MATTERS

5.10 Not Private Activity Bonds or Pool Bonds. The Proceeds of the Issue are hereby allocated to the portions of the Project not subject to Private Business Use to the maximum extent. No bond of the Issue will be a Private Activity Bond or a pooled financing bond (within the meaning of Section 149(f)), based on the following:

(A) Not more than 10% of the Proceeds (5% in the case of unrelated or Disproportionate Use), if any, directly or indirectly, will be used for a Private Business Use and not more than 10% (5% in the case of unrelated or Disproportionate Use), if any, of the Debt Service, directly or indirectly, will be derived from or secured by Private Security or Payments.

(B) Less than 5% or $5,000,000, whichever is less, of the Proceeds, if any, will be used to make or finance loans to any Private Person or Governmental Unit other than the Issuer.

(C) The lesser of the Proceeds that are being or will be used for any Private Business Use or the Proceeds with respect to which there are or will be Private Security or Payments does not exceed $15,000,000 and none of the Proceeds will be used with respect to an

"output facility" (other than a facility for the furnishing of water) within the meaning of Section 141(b)(4).

A portion of the office building facility and appurtenant parking easement being acquired with a portion of the proceeds of the Issue as the Justice Building Project is being acquired subject to certain existing tenant lease or license agreements between those tenants and the seller of such facility, in amounts of space and for terms shown on Attachment D. Although the Issuer has a present governmental need to occupy the entire office building facility, its right to do so is subject to the existing tenant agreements. However, some tenants have already exercised early termination of their leases and relocated elsewhere in anticipation of the Issuer's acquisition of the facility for use primarily in connection with its criminal justice system and, upon acquisition of the facility by the Issuer, the Issuer would permit any other tenants to exercise early termination without penalty if they elect to do so. The certification in (A) above reflects the Issuer's expectations as to use by remaining tenants of the facility, including (i) information obtained from tenants by representatives of the Issuer about such tenants' intentions with respect to their leases, as reflected on Attachment D the Issuer, and (ii) the Issuer's experience with prior property acquisitions, including, without limitation, tenant early-termination experience following the Issuer's acquisition in 1989 of a comparably sized, tenant-occupied office tower directly across the street from the Justice Building Project, which is now utilized as the Issuer's Legal Services Building. Other than certain antennae sites on the roof of the Justice Building Project and possible selected street-level retail or food concessions, the Issuer does not intend to extend or renew any tenant leases in the Justice Building Project (other than to observe tenant rights which pre-dated the Issuer's acquisition of the facility). Under applicable state law, any new tenant lease or a renewal or extension not currently in place would generally be required to be awarded only through a public auction process rather than through negotiations with the Issuer.

5.20 Disposition of Property. The Issuer does not intend to sell or otherwise dispose of the Project or any portion thereof during the term of the Issue except for dispositions of property in the normal course at the end of such property's useful life to the Issuer. With respect to tangible personal property, if any, that is part of the Project financed by the Issue, the Issuer reasonably expects that:

(A) Dispositions of such tangible personal property, if any, will be in the ordinary course of an established governmental program;

(B) The weighted average maturity of the bonds of the Issue financing or refinancing such property (treating the bonds of the Issue properly allocable to such personal property, as a separate issue for this purpose) will not be greater than 120% of the reasonably expected actual use of such property for governmental purposes;

(C) The fair market value of such property on the date of disposition will not be greater than 25% of its cost;

(D) The property will no longer be suitable for its governmental purposes on the date of disposition; and

(E) The amounts received from any disposition of such property are required to, and will be, deposited in the Issuer's Project Fund (as defined in the Trust Agreement) and commingled with substantial tax or other governmental revenues and will be spent on governmental programs within 6 months from the date of such deposit and commingling.

5.30 Qualified Guarantee. Based on the representations of the Underwriter and the Certificate Insurer attached hereto as Attachments B and C, respectively, the Certificate Insurance is a Qualified Guarantee and the premium therefor, $132,221.17 allocable to the Issue, may be taken into account as additional interest paid on the Issue. The Issuer reasonably expects that the present value of such premium for the Certificate Insurance will be less than the present value of the interest savings on the Issue as a result of the Certificate Insurance, for which purpose the present value is computed using the Yield (taking into account such premium for Certificate Insurance) as the discount rate.

5.40 Issue Not Federally Guaranteed. The Issue is not Federally Guaranteed.

5.50 Not Hedge Bonds. At least 85% of the Spendable Proceeds will be used to carry out the governmental purposes of the Issue within three years from the Issuance Date. Not more than 50%, if any, of the Proceeds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more, including but not limited to any investment contract or fixed Yield investment having a maturity of four years or more. The reasonable expectations stated above were not and are not based on and do not take into account (A) any expectations or assumptions as to the occurrence of changes in market interest rates or changes of federal tax law or regulations or rulings thereunder or (B) any prepayments of items other than items that are customarily prepaid.

5.60 Hedge Contracts. The Issuer has not entered into, and does not reasonably expect to enter into, any Hedge with respect to the Issue, or any portion thereof. The Issuer acknowledges that entering into a Hedge with respect to the Issue, or any portion thereof, may change the Yield and that bond counsel should be contacted prior to entering into any Hedge with respect to the Issue in order to determine whether payments/receipts pursuant to the Hedge are to be taken into account in computing the Yield on the Issue.

5.70 Internal Revenue Service Information Return. Within the time and on the form prescribed by the Internal Revenue Service under Section 149(e), the Issuer will file with the Internal Revenue Service an Information Return setting forth the required information relating to the Issue. The information reported on that Information Return will be true, correct and complete to the best of the knowledge and belief of the undersigned.

5.80 Responsibility of Officer.

(A) The officer signing this Certificate is one of the officers of the Issuer responsible for issuing the Issue.

(B) In making the representations in this Certificate, the Issuer relies in part on the representations of the Underwriter as set forth in the Underwriter's Certificate attached hereto as Attachment B, and the representations of the Certificate Insurer in the Certificate Insurer's Certificate attached hereto as Attachment C. To the best of the knowledge,

information, and belief of the undersigned, all expectations stated in this Certificate and in Attachments B and C are the expectations of the Issuer and are reasonable, all facts stated are true, and there are no other existing facts, estimates, or circumstances that would or could materially change the statements made in this Certificate or in Attachments B or C. The certifications and representations made in this Certificate and in Attachments B and C are intended to be relied upon as certifications described in Treasury Regulations § 1.148-2(b). The Issuer acknowledges that any change in the facts or expectations from those set forth in this Certificate or in Attachments B or C may result in different requirements or a change in status of the Issue or interest thereon under the Code, and that bond counsel should be contacted if such changes are to occur.

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The date of this Certificate is May 1, 2007.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

[SIGNATURE PAGE TO TAX COMPLIANCE CERTIFICATE]

Attachment A

Definitions for Tax Compliance Certificate

The following terms, as used in Attachment A and in the Tax Compliance Certificate to which it is attached and in the other Attachments to the Tax Compliance Certificate, have the following meanings unless therein otherwise defined or unless a different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in Attachment A have the meanings ascribed to them in the Tax Compliance Certificate to which this Attachment A is attached. The word "Issue," in lower case, refers either to the Issue or to another issue of obligations or portion thereof treated as a separate issue for the applicable purposes of Section 148, as the context requires. The word "obligation" or "obligations," in lower case, includes any obligation, whether in the form of bonds, notes, certificates, or any other obligation that is a "bond" within the meaning of Section 150(a)(1). All capitalized terms used in this Certificate include either the singular or the plural. All terms used in this Attachment A or in the Tax Compliance Certificate to which this Attachment A is attached, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. All references to Section, unless otherwise noted, refer to the Code.

"Advance Refunding Issue" means any Refunding Issue that is not a Current Refunding Issue.

"Advance Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as an Advance Refunding Issue if it had been issued as a separate issue.

"Available Construction Proceeds" means an amount equal to (a) the sum of (i) the Issue Price of an issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocable to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocable to the underwriter's discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocable to the issue. "Available Construction Proceeds" does not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocable to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the project financed by the issue is substantially completed, provided, however, that such Investment Proceeds or earnings shall be excluded from "Available Construction Proceeds" if the Issuer has timely elected such exclusion. If an issue is a Multipurpose Issue that includes a New Money Portion that is a Construction Issue, this definition shall be applied by substituting "New Money Portion" for "issue" each place the latter term appears. If an issue or the New Money Portion of a Multipurpose Issue, as applicable, is not a Construction Issue, and the Issuer makes the bifurcation election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue

or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting "Construction Portion" for "issue" each place the latter term appears.

"Bifurcated Issue" means a New Money Issue or the New Money Portion of a Multipurpose Issue that the Issuer, pursuant to Section 148(f)(4)(C)(v) and Regulations §1.148-7(j), has elected in its Tax Compliance Certificate to bifurcate into a Construction Portion, which finances 100% of the Construction Expenditures, and a Nonconstruction Portion.

"Bona Fide Debt Service Fund" means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more issues, the portion of that fund properly allocable to an issue), or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues with Debt Service on an issue within each Bond Year and that is depleted at least once each year except for a reasonable carryover amount not to exceed the greater of the earnings thereon for the immediately preceding Bond Year or one-twelfth of the annual Debt Service on the issue for the immediately preceding Bond Year.

"**Bond Counsel's Opinion**" or **"Opinion of Bond Counsel"** means an opinion or opinions of a nationally recognized bond counsel firm whose opinion is given with respect to the Issue when issued, or its successors or other nationally recognized bond counsel appointed by the Issuer.

"Bond Year" means the annual period relevant to the application of Section 148(f) to an issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of an issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Expenditures" means costs of a type that are properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles, including capitalized interest computed taking into account the Placed in Service date.

"Code" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

"Commingled Fund" means any fund or account of the Issuer that contains both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of the issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

"Commingled Investment Proceeds" means Investment Proceeds of an issue (other than Investment Proceeds held in a Refunding Escrow) that are deposited in a Commingled Fund with substantial tax or other revenues from governmental operations of the Issuer and that are reasonably expected to be spent for governmental purposes within 6 months from the date of deposit in the Commingled Fund, using any reasonable accounting assumptions.

"Computational Base" means the amount of Gross Proceeds the Issuer or Conduit Borrower reasonably expects, as of the date a Guaranteed Investment Contract is required, to be deposited in that Guaranteed Investment Contract over its term.

"Computation Date" means each date on which the Rebate Amount for an issue is required to be computed under Regulations §1.148-3(e). In the case of a Fixed Yield Issue, the first Computation Date shall not be later than five years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than five years after the immediately preceding Computation Date for which an installment payment of the Rebate Amount was paid. In the case of a Variable Yield Issue, the first Computation Date shall be the last day of any Bond Year irrevocably selected by the Issuer ending on or before the fifth anniversary of the Issuance Date of such issue and subsequent Computation Dates shall be the last day of each Bond Year thereafter or each fifth Bond Year thereafter, whichever is irrevocably selected by the Issuer after the first date on which any portion of the Rebate Amount is required to be paid to the United States. The final Computation Date is the date an issue is retired.

"Conduit Borrower" means the obligor on a purpose investment.

"Conduit Financing Issue" means an issue the Proceeds of which are reasonably expected to be used to finance one or more Conduit Loans.

"Conduit Loan" means a purpose investment acquired by the Issuer with Proceeds of a Conduit Financing Issue, thereby effecting a loan to the Conduit Borrower.

"Construction Expenditures" means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

"Construction Issue" means an issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization. If an issue is a Multipurpose Issue that includes a New Money Portion, this definition shall be applied by substituting "New Money Portion" for "Construction Issue" each place the latter term appears. If an election under Section 148(f)(4)(C)(v) and Regulations §1.148-7(j) is made to bifurcate an issue or the New Money Portion of a Multipurpose Issue, this definition shall be applied by substituting "Construction Portion" for "Construction Issue" each place the latter term appears.

"Construction Portion" means that portion of an issue or the New Money Portion of a Multipurpose Issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned

by a Governmental Unit or a 501(c)(3) Organization and that finances 100% of the Construction Expenditures.

"Controlled Group" means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Regulations §1.150-1(e).

"Current Refunding Issue" means a Refunding Issue that is issued not more than 90 days before the last expenditure of any Proceeds of the Refunding Issue for the payment of Debt Service on the Refunded Bonds.

"Current Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as a Current Refunding Issue if it had been issued as a separate issue.

"Debt Service" means principal of and interest and any redemption premium on an issue.

"Excess Gross Proceeds" means all Gross Proceeds of an Advance Refunding Issue that exceed an amount equal to 1% of the Sale Proceeds of such Advance Refunding Issue, other than Gross Proceeds allocable to: (a) payment of Debt Service on the Refunded Bonds; (b) payment of Pre-Issuance Accrued Interest on the Advance Refunding Issue and interest on the Advance Refunding Issue that accrues for a period up to the completion date of any capital project financed by the Prior Issue, plus one year; (c) a reasonably required reserve or replacement fund for the Advance Refunding Issue or Investment Proceeds of such fund; (d) payment of Issuance Costs of the Advance Refunding Issue; (e) payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Advance Refunding Issue, or investments of the Advance Refunding Issue; (f) Transferred Proceeds allocable to expenditures for the governmental purpose of the Prior Issue (treating for this purpose all unspent Proceeds of the Prior Issue properly allocable to the Refunded Bonds as of the Issuance Date of the Advance Refunding Issue as Transferred Proceeds); (g) interest on purpose investments; (h) Replacement Proceeds in a sinking fund for the Advance Refunding Issue; and (i) fees for a Qualified Guarantee for the Advance Refunding Issue or the Prior Issue. If an Issue is a Multipurpose Issue that includes an Advance Refunding Portion, this definition shall be applied by substituting "Advance Refunding Portion" for "Advance Refunding Issue" each place the latter term appears.

"Federally Guaranteed" means that (a) the payment of Debt Service on an issue, or the payment of principal or interest with respect to any loans made from the Proceeds of the issue, is directly or indirectly guaranteed in whole or in part by the United States or by an agency or instrumentality of the United States, within the meaning of Section 149(b), or (b) more than 5% of the Proceeds of an issue will be invested directly or indirectly in federally insured deposits or accounts. The preceding sentence does not apply to (a) Proceeds invested during an initial Temporary Period until such Proceeds are needed to pay costs of the project, (b) investments of a Bona Fide Debt Service Fund, (c) direct purchases from the United States of obligations issued by the United States Treasury, or (d) other investments permitted by Section 149(b) or Regulations §1.149(b)-1(b).

"501(c)(3) Organization" means an organization described in Section 501(c)(3) and exempt from tax under Section 501(a).

"Fixed Yield Issue" means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

"Future Value" means the value of a Payment or Receipt at the end of a period determined using the economic accrual method as the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the applicable issue, using the same compounding interval and financial conventions that were used to compute that Yield.

"Guaranteed Investment Contract" means any Nonpurpose Investment that has specifically negotiated withdrawal or retirement provisions and a specifically negotiated interest rate and any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

"Governmental Unit" means a state, territory or possession of the United States, the District of Columbia, or any political subdivision thereof referred to as a "State or local governmental unit" in Regulations §1.103-1(a). "Governmental Unit" does not include the United States or any agency or instrumentality of the United States.

"Gross Proceeds" means Proceeds and Replacement Proceeds of an issue.

"Hedge" means a contract entered into by the Issuer or the Conduit Borrower primarily to modify the Issuer's or the Conduit Borrower's risk of interest rate changes with respect to an obligation (e.g., an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option).

"Higher Yielding Investments" means any Investment Property that produces a Yield that (a) in the case of Investment Property allocable to Replacement Proceeds of an issue and Investment Property in a Refunding Escrow, is more than one thousandth of one percentage point (.00001) higher than the Yield on the applicable issue, and (b) for all other purposes is more than one-eighth of one percentage point (.00125) higher than the Yield on the issue.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds of an issue in Investment Property.

"Investment Property" means investment property within the meaning of Sections 148(b)(2) and 148(b)(3), including any security (within the meaning of Section 165(g)(2)(A) or (B)), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) in the case of any bond other than a Private Activity Bond). Investment Property includes a Tax-Exempt Obligation that is a "specified private activity bond" as defined in Section 57(a)(5)(C), but does not include other Tax-Exempt Obligations.

"Issuance Costs" means costs to the extent incurred in connection with, and allocable to, the issuance of an issue, and includes underwriter's compensation withheld from the Issue Price, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification and authentication fees, accounting fees, printing costs for bonds and offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees other than for a Qualified Guarantee and similar costs, but does not include fees charged by the Issuer.

"Issuance Date" means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue.

"Issue Price" means in the circumstances applicable to an issue:

(1) Public Offering. In the case of obligations actually offered to the general public in a bona fide public offering at the initial offering price for each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, the aggregate of the initial offering price for each maturity (including any Pre-Issuance Accrued Interest and taking into account any original issue premium and original issue discount), which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity, as of the Sale Date, was sold or reasonably expected to be sold (other than to bond houses, brokers or other intermediaries). In the case of publicly offered obligations that are not described in the preceding sentence, Issue Price means the aggregate of the initial offering price to the public of each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, at which initial offering price not less than 10% of the principal amount of each maturity was sold to the public. Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

(2) Private Placement. In the case of obligations sold by private placement, the aggregate of the prices (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount) paid to the Issuer by the first purchaser(s) (other than bond houses, brokers or other intermediaries). Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

"Minor Portion" means an amount equal to the lesser of $100,000 or 5% of the Sale Proceeds of an issue.

"Multipurpose Issue" means an issue the bonds of which are allocable to two or more separate governmental purposes within the meaning of Regulations §1.148-9(h).

"Net Proceeds" means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue.

"Net Sale Proceeds" means the Sale Proceeds of an issue less (a) the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and (b) the portion invested as a part of a Minor Portion for the issue.

"New Money Issue" means an issue that is not a Refunding Issue.

"New Money Portion" means that portion of a Multipurpose Issue other than the Refunding Portion.

"Nonconstruction Portion" means that portion of a New Money Issue or of the New Money Portion other than the Construction Portion.

"Nonpurpose Investments" means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of an issue. "Nonpurpose Investments" does not include any investment that is not regarded as "investment property" or a "nonpurpose investment" for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a "nonpurpose investment" within the applicable meaning of Section 148.

"Payment" means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)(i) through (v).

"Placed in Service" means the date on which, based on all the facts and circumstances, a facility has reached a degree of completion that would permit its operation at substantially its design level and the facility is, in fact, in operation at such level.

"Pre-Issuance Accrued Interest" means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after such Issuance Date.

"Preliminary Expenditures" means any Capital Expenditures that are "preliminary expenditures" within the meaning of Regulations §1.150-2(f)(2), i.e., architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project other than land acquisition, site preparation, and similar costs incident to commencement of construction. The aggregate amount of Preliminary Expenditures may not exceed 20% of the aggregate Issue Price of the issue or issues that financed or are reasonably expected to finance the project for which such Preliminary Expenditures are or were incurred.

"Prior Issue" means an issue of obligations all or a portion of the Debt Service on which is paid or provided for with Proceeds of a Refunding Issue. The Prior Issue may be a Refunding Issue.

"Private Activity Bond" means (a) obligations of an issue more than 10% of the Proceeds of which, directly or indirectly, are or are to be used for a Private Business Use and more than 10% of the Debt Service on which, directly or indirectly, is or is to be paid from or secured by payments with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue, the Proceeds of which are or are to be used to make or finance loans to any Private Person that, in the aggregate, exceed the lesser of 5% of such Proceeds or $5,000,000. In the event of Unrelated or Disproportionate Use, the tests in (a) shall be applied by substituting 5% for 10% each place the latter term is used.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any Private Person other than use as a member of, and on the same basis as, the general public. Any activity carried on by a Private Person (other than a natural person) shall be treated as a trade or business. In the case of a Qualified 501(c)(3) Bond, Private Business Use excludes use by a 501(c)(3) Organization that is not an unrelated trade or business activity by such 501(c)(3) Organization within the meaning of Section 513(a).

"Private Person" means any natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Unit. "Private Person" includes the United States and any agency or instrumentality of the United States.

"Private Security or Payments" means (i) any interest in property used or to be used for a Private Business Use, or in payments in respect of such property, that directly or indirectly secures any payment of principal of, or interest on, an issue, or (ii) payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use from which payments of principal of, or interest on, an issue are directly or indirectly derived, all as determined and measured in accordance with Treasury Regulations Section 1.141-4.

"Proceeds" means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue. "Proceeds" does not include Replacement Proceeds.

"Qualified Administrative Costs" means the reasonable, direct administrative costs, other than carrying costs, of purchasing or selling Nonpurpose Investments such as separately stated brokerage or selling commissions. Qualified Administrative Costs do not include legal and accounting fees, recordkeeping, custody, and similar costs, general overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount. In general, Qualified Administrative Costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

"Qualified 501(c)(3) Bonds" means an issue of obligations that satisfies the requirements of Section 145(a).

"Qualified Guarantee" means any guarantee of an obligation that constitutes a "qualified guarantee" within the meaning of Regulations §1.148-4(f).

"Qualified Hedge" means a Hedge that is a "qualified hedge" within the meaning of Regulations §1.148-4(h)(2).

"Reasonable Retainage" means an amount, with respect to an issue, not to exceed 5% of the Net Sale Proceeds of the issue, that is retained for reasonable business purposes relating to the property financed with Proceeds of the issue. For example, Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

"Rebate Amount" means the excess of the future value, as of any date, of all receipts on Nonpurpose Investments acquired with Gross Proceeds of an issue over the future value, as of that date, of all payments on those Nonpurpose Investments, computed in accordance with Section 148(f) and Regulations §1.148-3.

"Rebate Analyst" means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f).

"Receipt" means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

"Refunded Bonds" means obligations of a Prior Issue the Debt Service on which is or is to be paid from Proceeds of a Refunding Issue.

"Refunding Bonds" means obligations of a Refunding Issue.

"Refunding Issue" means an issue the Proceeds of which are or are to be used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs of the Refunding Issue.

"Refunding Escrow" means one or more funds established as part of a single transaction, or a series of related transactions, containing Proceeds of a Refunding Issue and any other amounts to be used to pay Debt Service on Refunded Bonds of one or more issues.

"Refunding Portion" means that portion of a Multipurpose Issue the Proceeds of which are, or are to be, used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs properly allocable to the Refunding Portion.

"Regulations" or **"Reg."** means Treasury Regulations.

"Reimbursement Allocation" means an allocation of the Proceeds of an issue for the reimbursement of Capital Expenditures paid prior to the Issuance Date of such issue that: (a) is

evidenced on the books or records of the Issuer maintained with respect to the issue, (b) identifies either actual prior Capital Expenditures, or the fund or account from which the prior Capital Expenditures were paid, (c) evidences the Issuer's use of Proceeds of the issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of the issue, and (d) satisfies the following requirements: except for Preliminary Expenditures, (i) the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e) prior to, or within 60 days after, payment of the Capital Expenditure, and (ii) the allocation in reimbursement of that Capital Expenditure occurs or will occur within 18 months after the later of the date the Capital Expenditure was paid or the date the project resulting from such Capital Expenditure was Placed in Service or abandoned, but in no event more than 3 years after the Capital Expenditure was paid.

"Related Party" means, in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a "related person" as defined in Section 144(a)(3).

"Replacement Proceeds" means, with respect to an issue, amounts (including any investment income, but excluding any Proceeds of any issue) replaced by Proceeds of that issue within the meaning of Section 148(a)(2). "Replacement Proceeds" includes amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

"Sale Date" means, with respect to an issue, the first date on which there is a binding contract in writing with the Issuer for the sale and purchase of an issue (or of respective obligations of the issue if sold by the Issuer on different dates) on specific terms that are not later modified or adjusted in any material respect.

"Sale Proceeds" means that portion of the Issue Price actually or constructively received by the Issuer upon the sale or other disposition of an issue, including any underwriter's compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest.

"Spendable Proceeds" means the Net Sale Proceeds of an issue.

"Tax-Exempt Obligation" means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150, and includes any obligation or any investment treated as a "tax-exempt bond" for the applicable purpose of Section 148.

"Tax-Exempt Organization" means a Governmental Unit or a 501(c)(3) Organization.

"Temporary Period" means the period of time, as set forth in the Tax Compliance Certificate, applicable to particular categories of Proceeds of an issue during which such category of Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148.

"Transferred Proceeds" means that portion of the Proceeds of an issue (including any Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of the Refunded Bonds of that issue is discharged with the Proceeds of a Refunding Issue and that thereupon becomes Proceeds of the Refunding Issue as provided in Regulations §1.148-9(b). "Transferred Proceeds" does not include any Replacement Proceeds.

"Unrelated or Disproportionate Use" means Private Business Use that is not related to or is disproportionate to use by a Governmental Unit within the meaning of Section 141(b)(3) and Regulations §1.141-9.

"Variable Yield Issue" means any Issue that is not a Fixed Yield Issue.

"Working Capital Expenditures" means any costs of a type that do not constitute Capital Expenditures, including current operating expenses.

"Yield" has the meaning assigned to it for purposes of Section 148, and means that discount rate (stated as an annual percentage) that, when used in computing the present worth of all applicable unconditionally payable payments of Debt Service, all payments for a Qualified Guarantee, if any, and payments and receipts with respect to a Qualified Hedge, if any, as required by the Regulations, paid and to be paid with respect to an obligation (paid and to be paid during and attributable to the Yield Period in the case of a Variable Yield Issue), produces an amount equal to (a) the Issue Price in the case of a Fixed Yield Issue or the present value of the Issue Price at the commencement of the applicable Yield Period in the case of a Variable Yield Issue, or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation provided for under Section 148, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of an issue are invested is computed on a basis consistent with the computation of Yield on that issue, including the same compounding interval of not more than one year selected by the Issuer.

"Yield Period" means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

The terms "bond", "obligation", "reasonably required reserve or replacement fund", "reserve or replacement fund", "loan", "sinking fund", "purpose investment", "same plan of financing", "other replacement proceeds", and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

(End of Attachment A)

ATTACHMENT A-1
to
Tax Compliance Certificate of Issuer
Pertaining to

$28,765,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT), SERIES 2007-A

INSTRUCTIONS FOR COMPLIANCE WITH REBATE
REQUIREMENTS OF SECTION 148(f) OF THE CODE.

The Issuer covenanted in the operative documents (i.e., Ordinance/Resolution/Trust Indenture and Tax Compliance Certificate) to comply with the arbitrage rebate requirement of Section 148(f) of the Code. These Instructions provide guidance for that compliance, including the spending exceptions that free the Issue from all or part of the rebate requirements. Capitalized terms that are not defined in these Rebate Instructions are defined in Attachment A to the Tax Compliance Certificate.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount with respect to the Issue must be paid (rebated) to the United States to prevent the bonds of the Issue from being arbitrage bonds, the interest on which is subject to federal income tax. In general, the Rebate Amount is the amount by which the actual earnings on Nonpurpose Investments purchased (or deemed to have been purchased) with Gross Proceeds of the Issue exceed the amount of earnings that would have been received if those Nonpurpose Investments had a Yield equal to the Yield on the Issue. Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount because none of the obligations of the Issue are Private Activity Bonds, the rates of interest on the Issue do not vary and the average maturity of the Issue is at least 5 years. Stated differently, the Rebate Amount for the Issue as of any date is the excess of the Future Value, as of that date, of all Receipts on Nonpurpose Investments over the Future Value, as of that date, of all Payments on Nonpurpose Investments, computed using the Yield on the Issue as the Future Value rate.

If the Issue is a Fixed Yield Issue, the Yield on the Issue generally is the Yield to maturity, taking into account mandatory redemptions prior to maturity. If the Issue is a Variable Yield Issue, the Yield on the Issue is computed separately for each Yield Period selected by the Issuer.

PART II: EXCEPTIONS TO REBATE

SECTION 2.01. SPENDING EXCEPTIONS.

The rebate requirements with respect to the Issue are deemed to have been satisfied if any one of three spending exceptions (the 6-Month, the 18-Month, or the 2-Year Spending Exception, collectively, the "Spending Exceptions") is satisfied. The Spending Exceptions are each independent exceptions. The Issue need not meet the requirements of any other exception in order to use any one of the three exceptions. For example, a Construction Issue may qualify for the 6-Month Spending Exception or the 18-Month Spending Exception even though the Issuer makes one or more elections under the 2-Year Exception with respect to the Issue.

The following rules apply for purposes of all of the Spending Exceptions except as otherwise noted.

Refunding Issues. The only spending exception available for a Refunding Issue[1] is the 6-Month Spending Exception.

Special Transferred Proceeds Rules. In applying the Spending Exceptions to a Refunding Issue, unspent Proceeds of the Prior Issue that become Transferred Proceeds of the Refunding Issue are ignored. If the Prior Issue satisfies one of the rebate Spending Exceptions, the Proceeds of the Prior Issue that are excepted from rebate under that exception are not subject to rebate either as Proceeds of the Prior Issue or as Transferred Proceeds of the Refunding Issue.

However, if the Prior Issue does not satisfy any of the Spending Exceptions and is not otherwise exempt from rebate, the Transferred Proceeds from the Prior Issue will be subject to rebate, even if the Refunding Issue satisfies the 6-Month Spending Exception. The Rebate Amount will be calculated on the Transferred Proceeds on the basis of the Yield of the Prior Issue up to each transfer date and on the basis of the Yield of the Refunding Issue after each transfer date.

Application of Spending Exceptions to a Multipurpose Issue. If the Issue is a Multipurpose Issue, the Refunding Portion and the New Money Portion are treated for purposes of the rebate Spending Exceptions as separate issues. Thus, the Refunding Portion is eligible to use only the 6-Month Spending Exception. The New Money Portion is eligible to use any of the three Spending Exceptions.

Expenditures for Governmental Purposes of the Issue. Each of the spending exceptions requires that expenditures of Gross Proceeds be for the governmental purposes of the Issue. These purposes include payment of interest (but not principal) on the Issue.

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1. For purposes of these Instructions, references to "Refunding Issue" include the Refunding Portion of a Multipurpose Issue.

SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

The Issue will be treated as satisfying the rebate requirements if all of the Gross Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue within the 6-month period beginning on the Issuance Date and the Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or a Bona Fide Debt Service Fund if and to the extent that such Fund is subject to rebate (see footnote 3) is timely paid to the United States. If no bond of the Issue is a Private Activity Bond (other than a Qualified 501(c)(3) Bond) or a tax or revenue anticipation bond, the 6-month period is extended for an additional 6 months if the unexpended Gross Proceeds of the Issue at the end of the 6-month period do not exceed 5% of the Proceeds of the Issue.

For purposes of the 6-Month Spending Exception, Gross Proceeds required to be spent within 6 months do not include amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue.

SECTION 2.03. 18-MONTH SPENDING EXCEPTION.

The Issue (or the New Money Portion if the Issue is a Multipurpose Issue) is treated as satisfying the rebate requirement if the conditions set forth in (A), (B) and (C) are satisfied.

(A) All of the Gross Proceeds of the Issue (excluding amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue) are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 15% within 6 months;

(2) at least 60% within 12 months; and

(3) 100% within 18 months, subject to the Reasonable Retainage exception described below.

(B) The Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund for the Issue, to the extent such Fund is subject to rebate (see footnote 3), is timely paid to the United States.

(C) The Gross Proceeds of the Issue qualify for the initial 3-year Temporary Period.

If the only unspent Gross Proceeds at the end of the 18th month are Reasonable Retainage, the requirement that 100% of the Gross Proceeds be spent by the end of the 18th month is treated as met if the Reasonable Retainage, and all earnings thereon, are spent for the governmental purposes of the Issue within 30 months of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first two spending periods, the amount of Investment Proceeds that the

Issuer reasonably expects as of the Issuance Date to earn on the Sale Proceeds and Investment Proceeds of the Issue during the 18-month period are included in Gross Proceeds of the Issue. The final spend-down requirement includes actual Investment Proceeds for the entire 18 months.

The 18-Month Spending Exception does not apply to the Issue (or the New Money Portion, as applicable) if any portion of the Issue (or New Money Portion) is treated as meeting the rebate requirement under the 2-Year Spending Exception discussed below. This rule prohibits use of the 18-Month Spending Exception for the Nonconstruction Portion of a Bifurcated Issue. The only Spending Exception available for the Nonconstruction Portion of a Bifurcated Issue is the 6-Month Spending Exception.

SECTION 2.04. 2-YEAR SPENDING EXCEPTION FOR CERTAIN CONSTRUCTION ISSUES.

(A) In general. A Construction Issue no bond of which is a Private Activity Bond (other than a Qualified 501(c)(3) Bond or a Bond that finances property to be owned by a Governmental Unit or a 501(c)(3) Organization) is treated as satisfying the rebate requirement if the Available Construction Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 10% within 6 months;

(2) at least 45% within 1 year;

(3) at least 75% within 18 months; and

(4) 100% within 2 years, subject to the Reasonable Retainage exception described below.

Amounts in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund for the Issue are not treated as Gross Proceeds for purposes of the expenditure requirements. However, unless the Issuer has elected otherwise in the Tax Compliance Certificate, earnings on amounts in a reasonably required reserve or replacement fund for the Issue are treated as Available Construction Funds during the 2-year period and therefore must be allocated to expenditures for the governmental purposes of the Issue.

If the Issuer elected in the Tax Compliance Certificate to exclude from Available Construction Proceeds the Investment Proceeds or earnings on a reasonably required reserve or replacement fund for the Issue during the 2-year spend-down period, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings from the Issuance Date must be timely paid to the United States. If the election is not made, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings after the earlier of the date construction is substantially completed or 2 years after the Issuance Date must be timely paid to the United States. The Rebate Amount, if any, with respect to earnings on amounts in a Bona Fide Debt Service Fund must be timely paid to the extent such Fund is subject to the rebate requirements (see footnote 3).

The Issue does not fail to satisfy the spending requirement for the fourth spend-down period (i.e., 100% within 2 years of the Issuance Date) if the only unspent Available

Construction Proceeds are amounts for Reasonable Retainage if such amounts (together with all earnings on such amounts) are allocated to expenditures within 3 years of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first 3 spend-down periods, Available Construction Proceeds include the amount of Investment Proceeds or earnings that the Issuer reasonably expected as of the Issuance Date to earn during the 2-year period unless the Issuer elects, on or before the Issuance Date, to apply these spend-down requirements on the basis of actual facts rather than reasonable expectations. For purposes of satisfying the final spend-down requirement, Available Construction Proceeds include actual Investment Proceeds or earnings from the Issuance Date through the end of the 2-year period.

Available Construction Proceeds do not include Gross Proceeds used to pay Issuance Costs financed by the Issue, but do include earnings on such Proceeds. Thus, an expenditure of Gross Proceeds to pay Issuance Costs does not count toward meeting the spend-down requirements, but expenditures of earnings on such Gross Proceeds to pay Issuance Costs do count.

(B) 1½% penalty in lieu of rebate for Construction Issues. If the Issuer elected in the Tax Compliance Certificate for a Construction Issue, or for the Construction Portion of a Bifurcated Issue, to pay a 1½% penalty in lieu of the Rebate Amount on Available Construction Proceeds in the event that the Construction Issue fails to satisfy any of the spend-down requirements, the 1½% penalty is calculated separately for each spend-down period, including each semi-annual period after the end of the fourth spend-down period until all Available Construction Proceeds have been spent. The penalty is equal to 0.015 times the underexpended Proceeds as of the end of the applicable spend-down period. The fact that no arbitrage is in fact earned during such spend-down period is not relevant. The Rebate Amount with respect to Gross Proceeds other than Available Construction Proceeds (e.g., amounts in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund, to the extent subject to rebate (see footnote 3)) must be timely paid.

PART III: COMPUTATION AND PAYMENT

SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

If none of the Spending Exceptions described above is satisfied (and if the 1-1/2% penalty election for a Construction Issue or the Construction Portion of a Bifurcated Issue has not been made), then within 45 days after each Computation Date, the Issuer shall compute, or cause to be computed, the Rebate Amount as of such Computation Date. The first Computation Date is a date selected by the Issuer, but shall be not later than 5 years after the Issuance Date. Each subsequent Computation Date shall end 5 years after the previous Computation Date except that, in a Variable Yield Issue, the Issuer may select annual Yield Periods. The final Computation Date shall be the date the last obligation of the Issue matures or is finally discharged.

Within 60 days after each Computation Date (except the final Computation Date), the Issuer shall pay to the United States not less than 90% of the Rebate Amount, if any, computed as of such Computation Date. Within 60 days after the final Computation Date, the Issuer shall pay to the United States 100% of the Rebate Amount, if any, computed as of the final Computation

Date. In computing the Rebate Amount, a computation credit of $1,000 may be taken into account on the last day of each Bond Year to the Computation Date during which there are unspent Gross Proceeds that are subject to the rebate requirement, and on the final maturity date.

If the operative documents pertaining to the Issue establish a Rebate Fund and require the computation of the Rebate Amount at the end of each Bond Year, the Issuer shall calculate, or cause to be calculated, within 45 days after the end of each Bond Year the Rebate Amount, taking into account the computation credit of $1,000 for each Bond Year. Within 50 days after the end of each Bond Year, if the Rebate Amount is positive, the Issuer shall deposit in the Rebate Fund such amount as will cause the amount on deposit therein to equal the Rebate Amount, and may withdraw any amount on deposit in the Rebate Fund in excess of the Rebate Amount. Payments of the Rebate Amount to the Internal Revenue Service on a Computation Date shall be made first from amounts on deposit in the Rebate Fund and second from other amounts specified in the operative documents.

Each payment of the Rebate Amount or portion thereof shall be payable to the Internal Revenue Service and shall be made to the Internal Revenue Service Center, Ogden, UT 84201 by certified mail. Each payment shall be accompanied by Internal Revenue Service Form 8038-T and any other form or forms required to be submitted with such remittance.

SECTION 3.02. BOOKS AND RECORDS.

(A) The Issuer or Trustee, as applicable, shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the Gross Proceeds of the Issue. Such records shall specify the account or fund to which each Nonpurpose Investment (or portion thereof) held by the Issuer or Trustee is to be allocated and shall set forth as to each Nonpurpose Investment (1) its purchase price, (2) identifying information, including par amount, interest rate, and payments dates, (3) the amount received at maturity or its sales price, as the case may be, including accrued interest, (4) the amounts and dates of any payments made with respect thereto, and (5) the dates of acquisition and disposition or maturity.

The Issuer, Trustee, or Rebate Analyst, as applicable, shall retain the records of all calculations and payments of the Rebate Amount until six years after the retirement of the last obligation that is a part of the Issue.

SECTION 3.03. FAIR MARKET VALUE.

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.

The fair market value of any Nonpurpose Investment shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in an arms-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in this Section, a Nonpurpose Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code) is

rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(A) Obligations purchased directly from the Treasury. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(B) Safe harbor for Guaranteed Investment Contracts. The purchase price of a Guaranteed Investment Contract shall be treated as its fair market value on the purchase date if all the following conditions are met:

(1) The Issuer or broker makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from reasonably competitive providers (of Guaranteed Investment Contracts) that have no material financial interest in the Issue.

(2) The Issuer purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(3) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of Tax-Exempt Obligations;

(4) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a Bona Fide Debt Service Fund and a reasonably required reserve or replacement fund;

(5) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(6) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

(C) Safe harbor for certificates of deposit. The purchase price of a certificate of deposit shall be treated as its fair market value on the purchase date if all of the following requirements are met:

(1) The certificate of deposit has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal; and

(2) The Yield on the certificate of deposit is not less than (a) the Yield on reasonably comparable direct obligations of the United States, or (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.

Certificates evidencing the foregoing requirements should be obtained before purchasing any Guaranteed Investment Contract or certificate of deposit.

SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.

(A) Nonpurpose Investments that are held by the Issuer or Trustee as of any Computation Date (or Bond Year if the computations are required to be done annually) shall be treated for purposes of computing the Rebate Amount as of such date as having been sold for their fair market value as of such date. Investment Property which becomes allocated to Gross Proceeds of the Issue on a date after such Investment Property has actually been purchased shall be treated for purposes of the rebate requirements as having been purchased by the Issuer on such date of allocation at its fair market value on such date.

(B) For purposes of constructive or deemed sales or purchases of Investment Property (other than Investment Property in the Escrow Fund or that is otherwise not invested for a Temporary Period or is not part of a reasonably required reserve or replacement fund for the Issue) must be valued at its fair market value on the date of constructive or deemed sale or purchase.

(C) Except as set forth in (B), fixed rate Investment Property that is (1) issued with not more than 2% of original issue discount or original issue premium, (2) issued with original issue premium that is attributable exclusively to reasonable underwriters' compensation or (3) acquired with not more than 2% of market discount or market premium, may be treated as having a fair market value equal to its outstanding stated principal amount, plus accrued interest. Fixed rate Investment Property also may be treated as having a fair market value equal to its present value.

SECTION 3.05. ADMINISTRATIVE COSTS.

(A) Administrative costs shall not be taken into account in determining the payments for or receipts from a Nonpurpose Investment unless such administrative costs are Qualified Administrative Costs. Thus, administrative costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire Nonpurpose Investments generally do not increase the Payments for, or reduce the Receipts from, Nonpurpose Investments.

(B) Qualified Administrative Costs are taken into account in determining the Payments and Receipts on Nonpurpose Investments and thus increase the Payments for, or decrease the Receipts from, Nonpurpose Investments. In the case of a Guaranteed Investment Contract, a broker's commission or similar fee paid on behalf of either the Issuer or the provider is a Qualified Administrative Cost to the extent that (1) the amount of the fee treated as a Qualified Administrative Cost does not exceed the lesser of (a) $32,000, or such higher amount as determined and published by the Internal Revenue Service as the "cost-of-living adjustment" for the calendar year in which the Guaranteed Investment Contract is acquired and (b) 0.2% of the Computational Base or, if more, $3,000, and (2) the aggregate amount of broker's commissions or similar fees with respect to all Guaranteed Investment Contracts and Nonpurpose Investments acquired for a yield restricted defeasance escrow purchased with Gross Proceeds of the Issue treated as Qualified Administrative Costs does not exceed $85,000, less the portion of such $85,000 cap, if any, used in prior years with respect to the Issue.

PART IV: COMPLIANCE AND AMENDMENT

SECTION 4.01. COMPLIANCE.

The Issuer, Trustee or Rebate Analyst, as applicable, shall take all necessary steps to comply with the requirements of these Instructions in order to ensure that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103(a) of the Code. However, compliance shall not be required in the event and to the extent stated therein the Issuer and the Trustee receive a Bond Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Issue, or (B) compliance with some other requirement in lieu of such requirement will comply with Section 148(f) of the Code, in which case compliance with the other requirement specified in the Bond Counsel's Opinion shall constitute compliance with such requirement.

SECTION 4.02. LIABILITY.

If for any reason any requirement of these Instructions is not complied with, the Issuer and the Trustee, if applicable, shall take all necessary and desirable steps 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. The Trustee shall have no duty or responsibility to independently verify any of the Issuer's, or the Rebate Analyst's, calculations with respect to the payments of the Rebate Amount due and owing to the United States. Under no circumstances whatsoever shall the Trustee be liable to the Issuer, any bondholder or any other person for any inclusion of the interest on the Issue in gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with these Instructions and the operative documents pertaining to the Issue.

SQUIRE, SANDERS & DEMPSEY L.L.P.

May 1, 2007

Attachment B
To Tax Compliance Certificate of

$28,765,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
SERIES 2007-A

Dated: May 1, 2007

UNDERWRITER'S CERTIFICATE

RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets ("Underwriter"), as underwriter for the certificates of participation ("the Certificates") identified above (the "Issue"), executed and delivered for the benefit of Pima County, Arizona (the "Issuer"), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

(1) **Issue Price** -- All of the Certificates of the Issue have been the subject of a bona fide offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (the "Public") pursuant to a Certificate Purchase Agreement by and between the Issuer and the Underwriter dated April 18, 2007 (the "Sale Date") and at least 10% of the principal amount of such maturity initially was sold or was reasonably expected to be sold at the respective price for that maturity shown on Exhibit 1 hereto. For purposes of this Certificate, the Underwriter has assumed that the phrase "bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers" refers only to persons who, to our actual knowledge, have an arrangement with the Issuer or the Underwriter to act in such capacity on behalf of the Issuer or the Underwriter.

(2) **Information Return**. The following information is provided to enable the Issue to complete the Information Return required to be filed in connection with the Issue:

- The weighted average maturity of the Issue is 9.561 years.
- The yield on the Issue is 4.1356446%, calculated according to direction from bond counsel, as the yield that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360 day year and semi-annual compounding, produces an amount equal to (a) the aggregate of the sale prices shown in Exhibit 1, less (b) the premium paid for the Certificate Insurance Policy (as defined in Paragraph 3 below) and (c) computed with the adjustments stated in paragraph (5).
- The Underwriter's discount or compensation is $388,327.50.
- The CUSIP Number received from the CUSIP Bureau assigned to the final maturity of the Issue is 721664 CHI.

(3) **Certificate Insurance Policy**. The premium payable to Ambac Assurance Corporation for the Certificate insurance policy securing the Certificates (the "Certificate Insurance Policy") represents a reasonable charge for the assumption of risk involved in this transaction. The present value of the Certificate Insurance Policy premium is less than the present value of interest reasonably expected to be saved with respect to the Certificates as the result of the Certificate Insurance Policy. The discount rate used for computing such present value is the yield-to-maturity of the Certificates (determined with regard to the Certificate Insurance Policy premium).

(4) **No Discount Certificates Subject to Mandatory Early Redemption**. No Certificate of the Issue is subject to mandatory early redemption.

(5) **Premium Certificates**. The Certificates of the Issue maturing in the years 2018 through 2022 are the only Certificates of the Issue that are subject to optional redemption before maturity and have a sales price as shown in Exhibit 1 that exceeds their stated redemption price at maturity by more than one-fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the yield on the Issue as described in paragraph (2), such Certificates were treated, as retired on their optional redemption date or at maturity to result in the lowest yield on the Issue. No Certificate of the Issue is subject to optional redemption within five years of the Issuance Date of the Issue.

(6) **No Stepped Coupon Certificates**. No Certificate of the Issue bears interest at an increasing interest rate.

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer's Tax Compliance Certificate or in Attachment A to it.

The undersigned is a duly authorized representative of the Underwriter. The Underwriter understands that the certifications contained in this Certificate will be relied on by the Issuer in making certain of its representations in its Tax Compliance Certificate and in completing and filing the Information Return for the Issue, and by Squire, Sanders & Dempsey L.L.P., as special counsel, in rendering certain of its legal opinions in connection with the issuance of the Issue, provided, however, that nothing herein represents an interpretation of any laws, and, in particular, regulations under Section 148 of the Internal Revenue Code of 1986, as amended.

Dated: May 1, 2007

RBC DAIN RAUSCHER INC.

By: _____

Title: Managing Director

EXHIBIT 1

PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)

$28,765,000
SERIES 2007-A

Year	Amount	Coupon	Price	Sales Price
2009	$1,235,000.00	4.000%	100.656%	$1,243,101.60
2010	1,610,000.00	4.000%	100.854%	1,623,749.40
2011	1,675,000.00	4.000%	100.951%	1,690,929.25
2012	1,740,000.00	4.000%	100.785%	1,753,659.00
2013	1,810,000.00	4.250%	102.007%	1,846,326.70
2014	1,890,000.00	4.250%	102.039%	1,928,537.10
2015	1,970,000.00	5.000%	107.263%	2,113,081.10
2016	2,065,000.00	5.000%	107.526%	2,220,411.90
2017	2,170,000.00	5.000%	107.760%	2,338,392.00
2018	2,280,000.00	5.000%	107.157%	2,443,179.60
2019	2,395,000.00	5.000%	106.900%	2,560,255.00
2020	2,515,000.00	5.000%	106.644%	2,682,096.60
2021	2,640,000.00	5.000%	106.388%	2,808,643.20
2022	2,770,000.00	5.000%	106.133%	2,939,884.10

Ambac

CERTIFICATE OF BOND INSURER

In connection with the issuance of $30,230,000 of obligations of Pima County, Arizona (the "Obligor"), consisting of $28,765,000 in aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, and $1,555,000 in aggregate principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B, each dated May 1, 2007 (collectively, the "Obligations"), Ambac Assurance Corporation ("Ambac") is issuing a Financial Guaranty Insurance Policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Obligations, all as more fully set out in the Insurance Policy.

On behalf of Ambac, the undersigned hereby certifies that:

(i) the Insurance Policy is an unconditional and recourse obligation of Ambac (enforceable by or on behalf of the holders of the Obligations) to pay the scheduled payments of interest and principal on the Obligations in the event of a Nonpayment as defined in the Insurance Policy;

(ii) the insurance premium of $137,464.89 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Obligations or the cost of insurance for casualty of Obligation financed property;

(iv) we are not co-obligors on the Obligations and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy; and

(v) the Obligor is not entitled to a refund of any portion of the premium for the Insurance Policy in the event that the Obligations are retired prior to their stated maturity.

IN WITNESS WHEREOF, Ambac Assurance Corporation has caused this certificate to be executed in its name on this 1st day of May, 2007, by one of its officers duly authorized as of such date.

AMBAC ASSURANCE CORPORATION

By: Nicholas A. Concilio

Nicholas A. Concilio
Vice President and
Assistant General Counsel

Attachment D
To Tax Compliance Certificate of

PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION (JUSTICE BUILDING PROJECT), SERIES 2007-A

Private Use of Office Floors

Suite	Tenant	Expires	sf x Days	=	PBU Days
600	County		10,673 x -0-		-0-
700	County		10,673 x -0-		-0-
800[a]	Kittelson	7/31/10	5,357 x 1,200		6,428,400
830	County		3,344 x -0-		-0-
850[b]	De La Warr	5/31/09	1,255 x 780		978,900
900[c]	Goldberg & Osborn	7/31/11	10,673 x 1,560		16,649,880
1000	Slutes, Sakrison	3/31/11	6,391 x 1,440		9,203,040
1050	TetraTech/Ottis	6/30/09	4,282 x 810		3,468,420
1100	Keegan, Linscott	11/30/09	10,673 x 960		10,246,080
1200	Xspedius[d]	9/30/09	5,673 x 900		5,105,700
1200	County		5,000 x -0-		-0-
1410	Gonzales Law	7/31/10	3,544 x 1,200		4,252,800
1440	Tetra Tech/Showard	6/30/09	1,085 x 810		878,850
1440	Tetra Tech/Logan	6/30/09	1,200 x 810		972,000
1440	Tetra Tech	5/31/07	4,844 x 60		290,640
1500	Tetra Tech	5/31/07	10,673 x 60		640,380
1600[e]	Redhair & Leader	3/31/09	2,361 x 640		1,511,040
1605	County		3,579 x -0-		-0-
1610/ 1620/ 1680	Broadwing	2/28/10	2,560 x 1,050		2,688,000
1650	Dasse Law	9/14/08	2,173 x 524		1,138,652
1700	County		10,673 x -0-		-0-
1800[f]	Vingelli		2,870 x 60		172,200
1810[g]	US Labs	6/30/09	878 x 810		711,180
1825	County		1,886 x -0-		-0-
1850[h]	Campbell Yost	7/31/10	5,040 x 60		302,400

[a] Kittleson has renewal options until 7/31/20, but are assuming they won't renew.
[b] Have indicated they would consider moving early, but because lease expiration is within the 24-48 month expected move-out window, have just used lease expiration.
[c] Lease expires 7/31/09 with two 5-year options, but County has told us to assume termination on 7/31/11.
[d] Original lease expires 3/31/13. Time Warner has acquired this company and informed the County that they want to give up 5,000 sf of their 10,673 sf lease and will likely want an early termination of the lease in 24-30 months. Have assumed the 5,000 sf will be relinquished before acquisition of building and that the early termination will occur in 30 months.
[e] Has indicated willingness to terminate lease, so unlikely to exercise 3-year extension.
[f] Tenant wants to relocate. Allowed two months.
[g] Assumed won't exercise two 3-year renewals based on prior county experience.

Suite	Tenant	Expires	sf x Days	=	PBU Days
1900[i]	Farmers	7/31/09	2,679 x 840		2,250,360
1905	RP Sanders	6/30/07	2,463 x 90		221,670
1950	County		3,563 x -0-		-0-
1955	County		1,232 x -0-		-0-
1965[j]	A6	6/30/09	740 x 60		44,400
2000A	County		552 x -0-		-0-
2000B	County		368 x -0-		-0-
2000C	Docutrak	1/31/08	368 x 300		110,400
2000D	County		589 x -0-		-0-
2000E	County		552 x -0-		-0-
2000F	County		368 x -0-		-0-
2000G and 2000H[k]	Development Design		920 x 60		55,200
2000I	Whitehill	6/30/07	589 x 90		53,010
2000J[i]	Matiatos		515 x 60		30,900
2000K	County		515 x -0-		-0-
2000L	County		515 x -0-		-0-
2000M and 2000N	Good & Assoc.	7/31/07	1,141 x 1120		136,920
2000/O	County		515 x -0-		-0-
2000P	County		444 x -0-		-0-
2000Q	County		515 x -0-		-0-
2000R	Teiber	7/31/07	515 x 120		61,800
2000S	Friedrich	7/31/07	736 x 120		88,320
2000T	County		478 x -0-		-0-
2000U	County		478 x -0-		-0-
2100	County		10,673 x -0-		-0-
2200	County		10,673 x -0-		-0-
			170,056 sf		68,691,542

[h] Looking for new space; will vacate as soon as new space located. Allowed two months.
[i] Assuming won't exercise two 5-year options based on past County experience.
[j] Wants to relocate. Allowed two months.
[k] Month-to-month tenant. Allowed two months.

Private Use of Basement

Goldberg	190 sf	x	1,560	=	296,400
Slutes	150 sf	x	1,440	=	216,000
County	7,974 sf	x	-0-	=	-0-
	8,314 sf				512,400

Private Use of Building Garage

Bank of America	10/31/16	20 sp.	x	3,450	=	69,000
Other	7/31/09	6 sp.	x	840	=	5,040
County		6 sp.	x	-0-	=	-0-
		32 sp.				74,040

Private Use of Pennington Street Garage

Whitehill	2	x	90	=	180
Farmers	6	x	840	=	5,040
Redhair	4	x	640	=	2,560
De la Warr	1	x	780	=	780
A6	1	x	60	=	60
Goldberg	12	x	1560	=	18,720
Vingelli	6	x	60	=	360
Campbell	4	x	60	=	240
Kittleson	10	x	1200	=	12,000
Gonzales	7	x	1200	=	8,400
Slutes	19	x	1440	=	27,360
Xspedius	5	x	900	=	4,500
Keegan	12	x	960	=	11,520
Dasse	2	x	524	=	1,048
US Labs	2	x	810	=	1,620
County	107	x	-0-	=	-0-
	200				94,388

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

PIMA COUNTY, ARIZONA
[Name of Issuer]

JUNE 11, 1998
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

PIMA COUNTY, ARIZONA
(Issuer)

By: C. Huckelberry
(Authorized Officer's Signature)

C. H. HUCKELBERRY, COUNTY ADMINISTRATOR
(Typewrite Name & Title)

130 W. Congress, 10th floor
(Street Address)

Tucson, AZ 85701
(City) (State) (Zip)

(520) 740-8661
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: Roby Bondor

SCHEDULE A

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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, but Beneficial Owners are 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 Securities are to be accomplished by entries made on the books of 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 Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities 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.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. 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 Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)

$28,765,000	**$1,555,000**
SERIES 2007-A	**TAXABLE SERIES 2007-B**

CERTIFICATE AND RECEIPT OF TRUSTEE

The undersigned, U.S. BANK NATIONAL ASSOCIATION, as Trustee (the "Trustee") under the Trust Agreement, dated as of May 1, 2007, (the "Trust Agreement"), by and between Pima County, Arizona (the "County") and the Trustee, hereby certifies as follows:

1. For certain terms denoted by initial capitals herein and not otherwise defined herein, the definitions of terms set forth in the Trust Agreement are hereby adopted.

2. The Trustee is duly organized and existing under and by virtue of the laws of the United States of America and is duly qualified to do trust business in the State of Arizona.

3. The Trustee hereby acknowledges receipt of:

(a) A certified copy of Resolution No. 2007-24, adopted by the Board of Supervisors on February 6, 2007, authorizing, among other things, the execution and delivery on behalf of the County of the Ground Lease dated as of May 1, 2007 between the County and the Trustee (the "Ground Lease), the Trust Agreement dated May 1, 2007 between the County and the Trustee (the "Trust Agreement"), the Lease-Purchase Agreement dated as of May 1, 2007 (the "Lease-Purchase Agreement"), by and between the Lessor and the County, the Project Agreement dated as of May 1, 2007 between the County and the Trustee (the "Project Agreement"), and the Certificate Purchase Agreement, dated April 18, 2007 (the "Certificate Purchase Agreement"), among the County, the Trustee and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets (the "Underwriter").

(b) Executed original counterparts of the Ground Lease, the Trust Agreement, the Lease-Purchase Agreement, the Project Agreement, the Certificate Purchase Agreement, and the Tax Compliance Certificate of the County dated May 1, 2007.

4. The Ground Lease, the Trust Agreement, the Lease-Purchase Agreement, the Project Agreement and the Certificate Purchase Agreement (collectively, the "Trustee Documents") were executed by the undersigned officer who at the time of such execution, was and is duly authorized to execute such documents on behalf of the Trustee.

5. Attached hereto as Exhibit A is the Assistant Secretary's Certificate of the Trustee which sets forth the authority of the signatories named in paragraphs 4 and 5 hereof to

act on behalf of the Trustee, and that said authority was in effect on the date or dates said signatories acted and remains in full force and effect on the date hereof.

6. Pursuant to the written request and authorization from the County, dated this date, the Trustee has executed $28,765,000 principal amount of Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and $1,555,000 principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "2007-B Certificates", and, collectively with the 2007-A Certificates, the "2007 Certificates") on behalf of the County, each dated as of May 1, 2007, maturing, bearing interest and having other terms provided by the Trust Agreement and has delivered all of said 2007 Certificates to the Underwriter, after execution and registration, on the order of the Underwriter and upon payment therefor to the Trustee, of the purchase price thereof, as provided in paragraph 9 below.

7. The 2007 Certificates were executed by duly authorized signatories for the Trustee who at the time of such execution, were and are duly authorized to execute such 2007 Certificates on behalf of the Trustee.

8. To the best of the knowledge of the undersigned officer of the Trustee after due investigation, 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 under the Trustee Documents, (b) in any way contesting or affecting any authority for, or the validity of, the 2007 Certificates or the application of the proceeds of the 2007 Certificates, or (c) in any way contesting the existence or corporate trust powers of the Trustee.

9. A. The Trustee has received, in payment for the 2007-A Certificates, $29,671,697.88 consisting of (a) $28,765,000.00 principal amount of the 2007-A Certificates, plus (b) $1,427,246.55 reoffering premium, less (c) $ 388,327.50 underwriter's discount, and less (d) $132,221.17 premium for the insurance policy (which has been wired by the Underwriter directly to the Certificate Insurer).

B. The Trustee has received, in payment for the 2007-B Certificates, $1,528,763.78, consisting of (a) $1,555,000.00 principal amount of the 2007-B Certificates, less (b) $20,992.50 underwriter's discount, and less (c) $5,243.72 premium for the insurance policy (which has been wired by the Underwriter directly to the Certificate Insurer.

10. A. In accordance with the Trust Agreement, the moneys referred to in the foregoing paragraph 9.A with respect to the proceeds of the 2007-A Certificates have been deposited as follows:

(a) $109,667.68 to the Delivery Costs Fund;

(b) $23,428,743.50 to the Justice Building Account of the Project Fund;

(c) $4,633,286.70 to the Improvements Account of the Project Fund; and

(d) $1,500,000.00 to the Community Services Department Facilities Account of the Project Fund.

B. In accordance with the Trust Agreement, the moneys referred to in the foregoing paragraph 9.B with respect to the proceeds of the 2007-B Certificates have been deposited as follows:

(a) $28,763.78 to the Delivery Costs Fund; and

(c) $1,500,000.00 to the Justice Building Account of the Project Fund.

11. The Trustee has received the financial guaranty insurance policy No. 26524BE issued by Ambac Assurance Corporation ("Ambac") insuring the payment of principal and interest with respect to the 2007 Certificates.

12. Responsive to the Certificate Purchase Agreement, the undersigned further certifies as follows:

(i) the representations and warranties of the Trustee contained in the Certificate Purchase Agreement are true and correct in all material respects on and as of the date hereof as if made on the date hereof;

(ii) the Trustee has full power and authority to (A) exercise corporate trust powers in the State of Arizona, (B) execute and deliver the 2007 Certificates and (C) execute and deliver, or acknowledge, as the case may be, and to perform its obligations under, the Trustee Documents and all documents included in exhibits thereto and required thereunder to be executed and delivered by the Trustee;

(iii) the Trustee has by proper corporate action duly authorized (A) the execution and delivery, or acknowledgment, of, and the due performance of its obligations under the Trustee Documents, (B) the execution and delivery of the 2007 Certificates, and (C) the taking of any and all other actions as may be required on the part of the Trustee to carry out, give effect to and consummate the transaction contemplated by such Trustee Documents; and

(iv) the Trustee's execution and delivery, or acknowledgment, of the Trustee Documents and its compliance with terms thereof does not contravene any provision of any order, decree, writ or injunction known to the Trustee, or the Trustee's Articles of Association or bylaws, or result in breach of or default under, or require consent under any agreement, indenture or other instrument to which the Trustee is a party or by which it is bound.

[Remainder of page left blank intentionally]

DATED: May 1, 2007

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Assistant Vice President

384581

EXHIBIT "A"

U.S. BANK NATIONAL ASSOCIATION
ASSISTANT SECRETARY CERTIFICATE

I, Cara L. Seeley, an Assistant Secretary of U.S. Bank National Association hereby certify that the following is a true and exact extract from the Bylaws of U.S. Bank National Association, a national banking association organized under the laws of the United States.

ARTICLE VI.
CONVEYANCES, CONTRACTS, ETC.

All transfers and conveyances of real estate, mortgages, and transfers, endorsements or assignments of stock, bonds, notes, debentures or other negotiable instruments, securities or personal property shall be signed by any elected or appointed officer.

All checks, drafts, certificates of deposit and all funds of the Association held in its own or in a fiduciary capacity may be paid out by an order, draft or check bearing the manual or facsimile signature of any elected or appointed officer of the Association.

All mortgage satisfactions, releases, all types of loan agreements, all routine transactional documents of the Association, and all other instruments not specifically provided for, whether to be executed in a fiduciary capacity or otherwise, may be signed on behalf of the Association by any elected or appointed officer thereof.

The Secretary or any Assistant Secretary of the Association or other proper officer may execute and certify that required action or authority has been given or has taken place by resolution of the Board under this Bylaw without the necessity of further action by the Board.

I further certify that Robert L. Von Hess, Vice President, Deborah M. Scherer, Assistant Vice President and Mary J. Ambriz-Reyes, Assistant Vice President are duly appointed and qualified officers of the Association authorized to act under Article VI of the Bylaws of the Association and that such authority is in full force and effect as of the date hereof and has not been modified, amended or revoked.

IN WITNESS WHEREOF, I have set my hand this 14th day of August, 2006.

(No corporate seal)

Cara L. Seeley, Assistant Secretary

S:/affidavit/sec-certs/VonHessSchererAmbriz-Reye.doc

PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)

$28,765,000	**$1,555,000**
SERIES 2007-A	**TAXABLE SERIES 2007-B**

UNDERWRITER'S RECEIPT

The undersigned, RBC DAIN RAUSCHER INC., doing business under the name RBC Capital Markets, is the underwriter of the above-referenced certificates (the "2007 Certificates") and as such hereby acknowledges receipt on this date, from U.S. Bank National Association, as trustee (the "Trustee"), of the 2007 Certificates issued under and pursuant to a Trust Agreement, dated as of May 1, 2007, by and between the Trustee and Pima County, Arizona, fully executed and delivered, in fully registered form, dated May 1, 2007, and maturing on July 1 in the years and principal amounts and bearing interest at the rates set forth below:

Series 2007-A

Year	Principal Amount	Interest
2009	$1,235,000	4.000%
2010	1,610,000	4.000%
2011	1,675,000	4.000%
2012	1,740,000	4.000%
2013	1,810,000	4.250%
2014	1,890,000	4.250%
2015	1,970,000	5.000%
2016	2,065,000	5.000%
2017	2,170,000	5.000%
2018	2,280,000	5.000%
2019	2,395,000	5.000%
2020	2,515,000	5.000%
2021	2,640,000	5.000%
2022	2,770,000	5.000%

Taxable Series 2007-B

Year	Principal Amount	Interest
2008	$1,245,000	5.220%
2009	310,000	5.040%

DATED: May 1, 2007

RBC DAIN RAUSCHER INC.

By: _____
Its: Managing Director

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

May 1, 2007

Pima County, Arizona
Tucson, Arizona

Re: $30,320,000 Pima County, Arizona
Certificates of Participation (Justice Building Project)
Series 2007-A and Taxable 2007-B

Ladies and Gentlemen:

We have examined the transcript of proceedings (the "Transcript") relating to the execution and delivery by U.S. Bank National Association (the "Bank"), as trustee (the "Trustee") of $28,765,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, dated as of May 1, 2007 (the "2007-A Certificates") and $1,555,000 aggregate principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B, dated as of May 1, 2007 (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates"), executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between Pima County, Arizona (the "County") and the Trustee, and relating to a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease Agreement"), between the Bank, as lessor, and the County.

The documents in the Transcript examined include executed counterparts of. (i) the Ground Lease, dated as of May 1, 2007 (the "Ground Lease"), between the County, as lessor, and the Bank, as lessee, (ii) the Lease Agreement, and (iii) the Trust Agreement, We also have examined a conformed copy of the 2007-A Certificates and the Taxable Series 2007-B Certificates.

The Ground Lease, the Lease Agreement and the Trust Agreement are referred to collectively as the "County Documents."

The 2007 Certificates each represent undivided and proportionate interests in the obligations of the County under the Lease Agreement. The County has agreed to lease certain real and personal property from the Bank, as lessor, under the Lease Agreement.

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Based upon our examination, we are of the opinion that, under existing law:

1. The County is duly organized and validly existing under the laws of the State of Arizona, and has all requisite power to enter into and perform its obligations under the County Documents.

2. The County Documents each have been duly authorized, executed and delivered by the County, and assuming due authorization, execution and delivery thereof by the other parties thereto, constitute legal, valid and binding obligations of the County enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws generally affecting the enforcement of creditors' rights and to principles of equity in the event equitable remedies are sought.

3. The 2007 Certificates have been duly authorized, executed and delivered by the Trustee at the request and for the benefit of the County and are valid and binding limited and special obligations payable solely from the Lease Payments (as defined in the Lease Agreement) and certain funds held under the Trust Agreement as provided therein. The 2007 Certificates are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the County, the State of Arizona or any political subdivision thereof.

4. The portion of each Lease Payment made by the County pursuant to the Lease Agreement and denominated as and comprising interest pursuant the Lease Agreement and received by the owners of the 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The 2007-A Interest Portion is exempt from Arizona state income tax. We express no opinion as to any other tax consequences regarding the 2007 Certificates. We also express no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2007 Certificates in the event of termination of the Lease Agreement due to nonappropriation.

In giving the foregoing opinion with respect to the treatment of the 2007-A Interest Portion under the tax laws, we have assumed and relied upon compliance with the covenants of the County and the accuracy, which we have not independently verified, of the representations and certifications of the County, contained in the Transcript. The accuracy of those representations and certifications, and the County's compliance with those covenants, may be necessary for the 2007-A Interest Portion to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to execution and delivery of the 2007-A Certificates could cause the 2007-A Interest Portion to be included in gross income for federal

income tax purposes retroactively to the date of execution and delivery of the 2007-A Certificates.

Under the Code, a portion of the 2007-A Interest Portion earned by corporations may be subject to the federal corporate alternative minimum tax, and the 2007-A Interest Portion may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

We express no opinion as to the Statement of Insurance of the 2007 Certificates referring to the financial guaranty insurance policy relating to the 2007 Certificates issued by Ambac Assurance Corporation or as to the insurance referred to in that statement.

Respectfully submitted,

Squire, Sanders & Dempsey LLP

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

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May 1, 2007

U.S. Bank National Association
Phoenix, Arizona

Ambac Assurance Corporation
New York, New York

Ladies and Gentlemen:

We have on this date rendered the attached opinion as Special Counsel regarding the Pima County, Arizona Certificates of Participation (Justice Building Project), Series 2007-A and Taxable Series 2007-B, in the aggregate principal amount of $30,320,000.

Please consider this letter as our advice to you that you are entitled to rely upon our opinion as if the same were addressed to you.

Very truly yours,

Squire, Sanders & Dempsey L.L.P.

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

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May 1, 2007

RBC Dain Rauscher Inc.
Phoenix, Arizona

Ladies and Gentlemen:

Pursuant to a Certificate Purchase Contract, dated April 18, 2007 (the "Certificate Purchase Contract"), among Pima County, Arizona, RBC Dain Rauscher Inc, doing business under the name RBC Capital Markets and U.S. Bank National Association, as trustee, we have delivered to you our approving opinion of even date herewith (the "Approving Opinion") relating to the $30,320,000 aggregate original amount of Pima County, Arizona, Certificates of Participation, Series 2007 (Justice Building Project) (the "2007 Certificates") comprised of $28,765,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Series 2007-A and $1,555,000 aggregate original amount of Pima County, Arizona, Certificates of Participation (Justice Building Project), Taxable Series 2007-B. All terms used herein shall have the same meaning assigned in the Certificate Purchase Contract.

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

1. The Resolution has been duly adopted and is in full force and effect;

2. It is not necessary, in connection with the offering and sale of the 2007 Certificates, to register the 2007 Certificates under the Securities Act of 1933, as amended (the "1933 Act") or to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

3. The statements and information contained in the Official Statement on the cover page, under the headings entitled "INTRODUCTORY STATEMENT," "DESCRIPTION OF THE 2007 CERTIFICATES," "PLAN OF FINANCE" (other than descriptions of or data regarding the Leased Property or the Community Service Department Facilities under the subheadings "Leased Property" and "The Community Services Department Facilities" or the information under the subheading "Sources for Lease Payments," as to which no opinion is expressed), "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES," "SECURITY FOR THE 2007 CERTIFICATES," "TAX MATTERS" and "CONTINUING SECONDARY MARKET DISCLOSURE" (other than matters relating to the County's compliance with prior undertakings as to which no opinion is expressed), and Appendices C, D and E thereto, insofar as such statements and information summarize certain provisions of the 2007 Certificates, the Trust Agreement, the Lease, the County Documents and certain provisions of Arizona and federal law, including the federal and Arizona income tax status of interest on the 2007-A Certificates, fairly

present the information purported to be shown, and nothing has come to our attention which would lead us to believe that such information contains any untrue statement of a material fact or that such information, taken collectively, omits to state any material fact that is necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in its entirety by, the complete documents which are summarized;

4. The Certificate Purchase Contract has been duly authorized, executed and delivered by the County and (assuming due authorization and execution by the Trustee and the Underwriter) is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws generally affecting the enforcement of creditors' rights and to principles of equity in the event equitable remedies are sought;

5. The Project Agreement has been duly authorized, executed and delivered by the County and (assuming due authorization and execution by the Trustee) is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws generally affecting the enforcement of creditors' rights and to principles of equity in the event equitable remedies are sought;

6. The Undertaking has been duly authorized, executed and delivered by the County and is a legal, valid, and binding obligation of the County, enforceable in accordance with its terms; subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws generally affecting the enforcement of creditors' rights and to principles of equity in the event equitable remedies are sought;

6. 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 prior to the execution and delivery of the Ground Lease, the Project Agreement, the Lease, the Trust Agreement, the Undertaking and the Certificate Purchase Contract) is required in connection with the execution, delivery and performance by the County of the Ground Lease, the Project Agreement, the Lease, the Trust Agreement, the Undertaking and the Certificate Purchase Contract.

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

This letter is provided pursuant to Section 7(j)(4) of the Certificate 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 2007 Certificates. In giving this opinion to the 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 the County and the Underwriter and is not to be used, circulated, quoted, or otherwise referred to

in connection with the offering of the 2007 Certificates, except that reference may be made to this opinion in any list of closing documents pertaining to the execution and delivery of the 2007 Certificates.

Respectfully submitted,

Squire, Sanders + Dempsey LLP

OFFICE OF THE
Pima County Attorney
Civil Division
32 N. STONE
SUITE 2100
Tucson, Arizona 85701-1412
(520) 740-5750
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Barbara LaWall
PIMA COUNTY ATTORNEY

May 1, 2007

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Phoenix, Arizona

Squire, Sanders & Dempsey L.L.P.
Phoenix, Arizona

Re: Pima County, Arizona Certificates of Participation, Series 2007

This opinion is rendered in connection with the execution and delivery by Pima County, Arizona (the "County"), of: a Lease-Purchase Agreement, dated as of May 1, 2007 (the "Lease-Purchase Agreement"), between the County, as lessee, and U.S. Bank National Association, as lessor (the "Lessor"); a Ground Lease, dated as of May 1, 2007 (the "Ground Lease"), between the County and the Lessor; a Project Agreement, dated as of May 1, 2007 (the "Project Agreement"), between the County and the Lessor; a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement"), between the County and U.S. Bank National Association, as trustee (the "Trustee"); a Continuing Disclosure Undertaking, dated May 1, 2007 (the "Undertaking"), and a Certificate Purchase Contract, dated April 18, 2007 (the "Certificate Purchase Contract"), among the County, the Trustee and RBC Dain Rauscher Inc., doing business under the name RBC Capital Markets. The Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract are each authorized by a resolution adopted by the Board of Supervisors of the County on February 6, 2007 (the "Authorizing Resolution"). We have examined the transcript of proceedings relating to the execution and delivery of the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract and such other documents as we considered necessary to our opinion. As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the above-mentioned proceedings and other documents, and have relied upon certificates, covenants and representations furnished to us by the County without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of execution and delivery of the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Agreement, that:

1. The authorization, approval and execution of the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and

Certificate Purchase Contract, the adoption of the Authorizing Resolution and all other proceedings of the County relating to the authorization, approval and execution of the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract have been carried out in conformance with the applicable open meeting and other laws of the State of Arizona.

2. The authorization, execution and delivery of the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, th Trust Agreement, the Undertaking and the Certificate Purchase Contract and compliance with the provisions thereof under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party or of any existing law, administrative regulation, court order or consent decree to which the County or the Leased Property (as defined in the Lease-Purchase Agreement) is subject.

3. There are no lawsuits or administrative proceedings pending or, to the best of our knowledge, threatened, against the County (i) which in any way question (a) the validity and the proper authorization, approval and execution of the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking or the Certificate Purchase Contract, (b) the authority of the County or its officials to enter into the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract or the ability of the County otherwise to perform its obligations under the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, Undertaking and Certificate Purchase Contract and to carry out the transactions contemplated thereby or (ii) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Lease-Purchase Agreement, the Ground Lease, the Project Agreement, the Trust Agreement, the Undertaking and the Certificate Purchase Contract or the Leased Property or the financial condition of the County.

4. The statements in the Official Statement under the heading "LITIGATION" are true and correct in all material respects and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

PIMA COUNTY ATTORNEY'S OFFICE

By: Regina Nassen

Ambac Capital Corporation
One State Street Plaza
New York, NY 10004
212.668.0340

A member of the Ambac Financial Group, Inc.

May 1, 2007

Pima County
130 West Congress
Tucson, AZ 85701

RBC Dain Rauscher Inc.
2398 East Camelback Road
Phoenix, AZ 85016

Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue
Phoenix, AZ 85004

U.S. Bank National Association
101 North First Avenue
Phoenix, AZ 85003

Ambac

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of Ambac Assurance Corporation, a Wisconsin stock insurance corporation ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Financial Guaranty Insurance Policy, effective as of the date hereof (the "Policy"), insuring $30,230,000 of obligations of Pima County, Arizona (the "Obligor"), consisting of $28,765,000 in aggregate principal amount of Certificates of Participation (Justice Building Project), Series 2007-A, and $1,555,000 in aggregate principal amount of Certificates of Participation (Justice Building Project), Taxable Series 2007-B, each dated May 1, 2007 (collectively, the "Obligations").

In connection with my opinion herein, I have examined the Policy and such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Obligor dated April 18, 2007 relating to the Obligations (the "Official Statement") under the headings "CERTIFICATE INSURANCE" and "APPENDIX H – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. Ambac Assurance is a stock insurance corporation duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of Arizona.

2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy, and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms, except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the

terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is a party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.

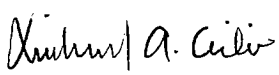
Ambac

5. The statements contained in the Official Statement under the heading "CERTIFICATE INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Financial Group, Inc. (the "Company") and Ambac Assurance, fairly and accurately describe the Company and Ambac Assurance.

6. The form of the Policy contained in the Official Statement under the heading "APPENDIX H – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" is a true and complete copy of the form of the Policy.

The opinions expressed herein are solely for your benefit, and may not be relied upon by any other person.

Very truly yours,



Nicholas A. Concilio
Vice President and
Assistant General Counsel

Greenberg Traurig

May 1, 2007

RBC Dain Rauscher Inc., doing business
under the name RBC Capital Markets
Suite 700
2398 East Camelback Road
Phoenix, Arizona 85016

Re: $28,765,000 Certificates of Participation (Justice Building Project), Series 2007-A, Evidencing a Proportionate Interest of Owners Thereof In Lease Payments To Be Made By Pima County, Arizona, as Lessee and $1,555,000 Certificates of Participation (Justice Building Project), Taxable Series 2007-B, Evidencing a Proportionate Interest of Owners Thereof In Lease Payments To Be Made By Pima County, Arizona, as Lessee

We have acted as counsel for you in connection with the purchase by you of the captioned Certificates (hereinafter referred to as, collectively, the "Certificates"), evidencing proportionate interests of the owners thereof in a Lease-Purchase Agreement, dated as of May 1, 2007, by and between Pima County, Arizona (hereinafter referred to as the "County"), and U.S. Bank National Association, as trustee in its separate capacity as lessor, pursuant to a Trust Agreement, dated as of May 1, 2007, by and among the County, U.S. Bank National Association, as trustee, and U.S. Bank National Association, as trustee in its separate capacity as lessor. As your counsel, we have examined the Official Statement, dated April 18, 2007 (hereinafter referred to as the "Official Statement"), relating to the Certificates. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinions rendered hereinbelow. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any

ALBANY
AMSTERDAM
ATLANTA
BOCA RATON
BOSTON
BRUSSELS*
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MIAMI
MILAN*
NEW JERSEY
NEW YORK
ORANGE COUNTY
ORLANDO
PHILADELPHIA
PHOENIX
ROME*
SACRAMENTO
SILICON VALLEY
TALLAHASSEE
TAMPA
TOKYO*
TYSONS CORNER
WASHINGTON, D.C.
WEST PALM BEACH
ZURICH
*Strategic Alliance
Tokyo-Office/Strategic Alliance

facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and other documents.

In accordance with our understanding with you, we rendered legal advice and assistance to you in connection with your participation in the preparation of the Official Statement. Based upon our participation in the preparation of the Official Statement as counsel for you and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement and except as otherwise indicated herein, we have no reason to believe that the Official Statement as of its date and as of the date hereof contained any untrue statement of a material fact or omitted 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. We express no views with respect to (i) the information contained in the Official Statement on the cover page thereof and under the headings entitled "INTRODUCTORY STATEMENT," "DESCRIPTION OF THE 2007 CERTIFICATES," "PLAN OF FINANCE," "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES," "SECURITY FOR THE 2007 CERTIFICATES," "CERTIFICATE INSURANCE," "LITIGATION," "TAX MATTERS" and "CONTINUING SECONDARY MARKET DISCLOSURE," (ii) the financial or statistical data included in the Official Statement, (iii) the information in the Appendices to the Official Statement or (iv) the status of the Certificates for any purpose including particularly, but not by way of limitation, for federal or State income tax purposes.

This opinion is furnished by us as your counsel in connection with the issuance and delivery of the Certificates and is intended solely for your benefit.

Respectfully submitted,

Greenberg Traurig, LLP

PIMA COUNTY
DEPARTMENT OF FINANCE & RISK MANAGEMENT
RISK MANAGEMENT DIVISION ADMINISTRATION
130 W. CONGRESS ST., 6TH FLOOR
TUCSON, ARIZONA 85701-1317
(520) 740-8120 FAX (520) 838-7416

Thomas E. Burke, Director

CERTIFICATE OF SELF-INSURANCE

THIS IS TO CERTIFY THAT PIMA COUNTY, IN ACCORDANCE WITH A.R.S. §11-981 AND PIMA COUNTY CODE §3.04, IS SELF-INSURED.

THE COUNTY, AS A SELF-INSURER, ASSUMES RESPONSIBILITY FOR ALL LIABILITIES THAT HAVE BEEN PROPERLY DETERMINED TO EXIST.

DATE OF ISSUE:

April 26, 2007

CERTIFICATE HOLDER:

U.S. Bank National Association As Trustee,
As Lessee Under Ground Lease and
Holder and as Lessor

PROJECT:

Liability Coverage for
33 N. Stone Avenue, Tucson, Arizona

From: **5/1/2007** Thru: **9/30/2007**

Certificate good with respect to Pima County only.

Tom Burke, Director
Pima County Finance & Risk Management Department

TICOR TITLE INSURANCE

Policy No. 22-106- 21234

Policy of Title Insurance

American Land Title Association Owner's Policy (10-17-92)

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, TICOR TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the amount of insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title.
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

This policy shall not be valid or binding until countersigned below by an authorized signatory of the Company.

TICOR TITLE INSURANCE COMPANY

By: _____ President

ATTEST _____ Secretary

_____
Authorized Signatory

Exclusions from Coverage

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

3. Defects, liens, encumbrances, adverse claims or other matters:

   (a) created, suffered, assumed or agreed to by the insured claimant;
   (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
   (c) resulting in no loss or damage to the insured claimant;
   (d) attaching or created subsequent to Date of Policy; or
   (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on;

   (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
   (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
      (a) to timely record the instrument of transfer; or
      (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

Conditions and Stipulations

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.

(b) "insured claimant": an insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "land": the land described or referred to in Schedule A, or in Schedule C if not provided for in Schedule A, and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in the applicable Schedule, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.

(f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever

TICOR Title Agency of Arizona, Inc.
Representing

Ticor Title Insurance Company

LEASEHOLD EXTENDED OWNERS POLICY

SCHEDULE A

Policy No. **22-106-21234**

Date of Policy : May 01, 2007 at **8:31 A.M.**

Amount of Insurance: **30,320,000.00**

1. Name of Insured:

   U.S. Bank National Association, as Trustee, pursuant to the Trust Agreement referred to in Paragraph 10 of Schedule B; and the owners of the Certificates of Participation in said Trust Agreement, as their respective interest may appear

2. The Estate or Interest in the land which is covered by this policy is the Leasehold Estate, as leasehold estate is defined in Section 1(H) of the conditions and stipulations of this policy, created by the instrument herein referred to as the lease which is identified as follows:

   A leasehold as created by that certain Ground Lease dated May 01, 2007, executed by Pima County, Arizona, as lessor, and U.S. Bank National Association, as Trustee, as lessee, which was recorded May 01, 2007 in Docket 13045 at page 105, for the term and upon and subject to all the provisions contained in said document, and in said lease.

3. The Leasehold term Insured is:

   May 01, 2007 through July 01, 2022

4. Title to the Estate or Interest in the land is Vested in:

   Pima County, Arizona, a body politic

5. The land referred to in this policy is described as follows:

   See Exhibit A attached hereto and made a part hereof.

This Policy valid only if Schedule B is attached

EXCEPTIONS:

This Policy does not insure against loss or damage (and the Company will not pay costs, attorney's fees or expenses) which arise by reason of:

1. Taxes for the year 2007, a lien, not yet payable.

2. Reservations and exceptions in the Patent from the United States of America, recorded in Book 2 of Deeds at Page 311.

3. Water rights, claims or title to water, whether or not of public record.

4. Easements for the purposes set forth therein and rights incident thereto recorded in Docket 5208 at page 733 and amended in Docket 6432 at page 1283.

5. Easements for the purposes set forth therein and rights incident thereto recorded in Docket 5215 at Page 345.

6. Easements for the purposes set forth therein and rights incident thereto recorded in Docket 5485 at Page 586 and amended in Docket 6432 at page 1283.

7. Any rights, interest or claims which may exist by reason of the following matters disclosed by Survey, Job No. 85301715, Dated November 8, 2001, performed by Daniel M. Seese, with Stantec;

   a.) encroachment of building overhangs and the face of an existing building onto the property to the North, East and West.
   b.) rights of the owners of land to the South of a possible encroachment of their buildings onto said land.
   c.) encroachments of improvements consisting of buildings onto easements recorded in Docket 5208 at page 733 and Docket 5485 at page 586 and Docket 5014 at page 96 and Docket 5215 at page 345 as shown on said survey.

8. Rights of parties in possession by reason of unrecorded leases or month to month rentals; including, but not limited to the following, as disclosed by Commercial Rent Roll, dated December 31, 2006:.

   Keegan, Linscott & Kenon
   Plaza News & Gifts
   Baggin's Inc.
   C-Cubed Unlimited, Inc., doing business as Quick Print
   Linda & Christian Von Albri, doing business as Not Just Java
   Pima County, Arizona
   Kittelson & Associates, Inc.
   De La Warr Investment Corporation
   Goldberg & Osborne
   Slutes, Sakrison & Hill, P.C.
   Tetra Tech, Inc.
   Xspedius Management Co. of Pima County, LLC
   The Gonzales Law Firm, P.C.
   Redhair & Leader
   Broadwing Communication Real Estate Services, L.L.C.
   The Law Offices of Thomas F. Dasse, P.C.
   Michael J. Vingelli, P.C.
   US Laboratories
   Campbell, Yost, Clare & Noi

Farmers Insurance Exchange
R.P. Sanders & Company
The Law Offices of Lisa Chase, P.C.
A6 Consultants, LLC
Development Design Group
Charles H. Whitehill, P.C.
Leonard S. Teiber
Blair Friederich
Time Warner Telecommunications
Gain Communications, Inc.
Nextel Communications
Skytel Corporation
Action Communications
Cingular Wireless
Bank of America
Docutrak, L.L.C.
Goode and Associates, P.C.
Logan Simpson Design
Bell Industries, Inc.

(The present ownership of said leasehold, and other matters affecting the interest of the lessee, are not shown herein.)

9. Terms and conditions contained in the Lease-Purchase Agreement, between U.S. Bank National Association, as Trustee, as Lessor and Pima County, Arizona, a body politic, as Lessee, dated May 01, 2007 recorded May 1, 2007 in Docket 13045 at page 118

10. Terms and conditions contained in the Trust Agreement, between U.S. Bank National Association, as Trustee and Pima County, Arizona, a body politic, dated May 01, 2007 recorded May 1, 2007 in Docket 13045 at page 165

11. The consequence of any claim or action based on an assertion that the lease set forth in Paragraph 2 of Schedule A is a Mortgage or other Security Device.

12. The Company shall have no duty to defend against any assertion or claim that the lease set forth in Paragraph 2 of Schedule A is a Mortgage or other Security Device.

12. The Terms, Covenants and Provisions of the Ground Lease referred to in Schedule A and the effect of any failure to comply with such Terms, Covenants and Provisions.

File: **71102620-711-KM**

ENDORSEMENT

Attached to Policy No. 22-106-21234
Issued By

Ticor Title Insurance Company

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to be the same as that delineated on the plat of a survey made by Daniel M. Seese, with Stantec on November 08, 2001, designated Job No. 85301715, a copy of which is attached hereto and made a part hereof.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated: **May 01, 2007**

Ticor Title Insurance Company

By: _____
Authorized Signatory

CLTA Form 103.5
File: **71102620-711-KM**

Water Rights, Surface Damage

ENDORSEMENT

Attached to Policy No. 22-106-21234
Issued By

Ticor Title Insurance Company

The Company hereby insures the insured against loss which the insured shall sustain by reason of damage to existing improvements, including lawns, shrubbery or trees, resulting from the exercise of any right to use the surface of the land for the extraction or development of water excepted from the description of the land or shown as an exception in Schedule B.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated: **May 01, 2007**

Ticor Title Insurance Company

By: _____
Authorized Signatory

CLTA Form 205
File: **71102620-KM**

PATENT

ENDORSEMENT

Attached to Policy No. 22-106-21234
Issued By

Ticor Title Insurance Company

The provisions of said policy are hereby modified and amended as of the date hereof as to the following matters and none other:

The Company hereby insures the Insured against any loss which said Insured shall sustain by reason of damage to existing or future improvements, including lawns, shrubbery or trees, resulting from the enforcement of any of the reservations contained in the patent to said land as shown in Exception No. 2 of Schedule B.

The total liability of the Company under said policy and any endorsements therein shall, however, not exceed in the aggregate, the amount stated on the first page of said policy and costs which the Company is obligated under the conditions and stipulations thereof to pay.

This endorsement is made a part of said policy and is subject to the schedules, conditions and stipulations and exclusions therein, except as modified by the provisions hereof.

This endorsement is not to be construed as insuring the title as of any later date than the date of said policy, except as herein expressly provided as to the subject matter hereof.

Dated: **May 01, 2007**

Ticor Title Insurance Company

By: _____
Authorized Signatory

Exhibit A

Parcel 1:

A Leasehold Estate in and to the following:

All of Lots 1, 2, 5, 6 and 7 and all that portion of Lot 8 in Block 196 of THE CITY OF TUCSON, Pima County, Arizona, according to the official field notes, map and survey, made by S W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 8;
Thence Westerly along the North line of said Lot, 7 feet to a point;
Thence Southerly and parallel to the East line of said Lot, 7 feet to a point;
Thence Easterly and parallel with the North line of said Lot, 7 feet to a point on the East line of said lot;
Thence Northerly 7 feet to the PLACE OF BEGINNING.

EXCEPTING from said Lot 7, that portion thereof described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
West by the West line of Block 196; and
on the Southeast by the arc of a circle of radius 25 feet, concave to the Southeast and tangent to the North and West line of said three-sided parcel.

AND FURTHER EXCEPTING THEREFROM that portion of Lot 1 conveyed to the City of Tucson, a Municipal Corporation, by Deed recorded in Docket 4976, Page 527, described as follows:
A three-sided parcel bounded on the:

North by the North line of Block 196;
East by the East line of Block 196; and
Southwest by the arc of a circle of radius 25 feet, concave to the Southwest and tangent to the North and East line of said three-sided parcel.

PARCEL NO. 2:

Those rights and easements for parking, vehicular and pedestrian ingress and egress set forth in an Easement and Use Agreement dated September 22, 1976 and recorded September 30, 1976 in Docket 5368, Page 754.

Affecting all those parts of Lots 4 and 5 of Block 194 of the City of Tucson, Pima County, Arizona, according to the official field notes, map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 4;

Thence South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 4, a distance of 130.29 feet to the Northwest corner of said Lot 4;

Thence continuing South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 5, a distance of 25.22 feet to the Northeast corner of that parcel conveyed by Deed of Record in said office of the County Recorder in Book 205 of Deeds at Page 381;

Thence South 10 degrees 00 minutes 22 seconds East, along the East line of said parcel, 227.56 feet to a point in the North Wall of the Pioneer Pool and Patio Deck;

Thence North 77 degrees 21 minutes 47 seconds East, along said North wall, 24.91 feet to a point in the West line of said Lot 4 of Block 194, which point is South 10 degrees 00 minutes 22 seconds East along said West line, 222.35 feet from the Northwest corner of said Lot 4;

Thence North 76 degrees 31 minutes 31 seconds East, along said North wall 129.95 feet to a point in the East line of said Lot 4;

Thence North 10 degrees 20 minutes 37 seconds West along said East line, 193.36 feet to the POINT OF BEGINNING.

File No.: **71102620-711-KM**

ENDORSEMENT
Attached to Policy No. 22-106-21234
Issued By
Ticor Title Insurance Company

1. As used in this endorsement, these terms shall mean the following:

   a. "Evicted" or "Eviction": (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of the Lease or (b) the lawful prevention of the use of the Land or the Tenant Leasehold Improvements for the purposes permitted by the Lease, in either case as a result of a matter covered by this policy.

   b. "Lease": the lease agreement described in Schedule A.

   c. "Leasehold Estate": the right of possession for the Lease Term.

   d. "Lease Term": the duration of the Leasehold Estate, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.

   e. "Personal Property": chattels located on the Land and property which, because of their character and manner of affixation to the Land, can be severed from the Land without causing appreciable damage to themselves or to the Land to which they are affixed.

   f. "Remaining Lease Term": the portion of the Lease Term remaining after the Insured has been Evicted as a result of a matter covered by this policy.

   g. "Tenant Leasehold Improvements": Those improvements, including landscaping, required or permitted to be built on the Land by the Lease that have been built at the Insured's expense or in which the Insured has an interest greater than the right to possession during the Lease Term.

2. Valuation of Estate or Interest Insured

If in computing loss or damage it becomes necessary to value the Title as the result of a covered matter that results in an Eviction of the Tenant, then that value shall consist of the value for the Remaining Lease Term of the Leasehold Estate and any Tenant Leasehold Improvements existing on the date of the Eviction. The Insured Claimant shall have the right to have the Leasehold Estate and the Tenant Leasehold Improvements valued either as a whole or separately. In either event, this determination of value shall take into account rent no longer required to be paid for the Remaining Lease Term.

3. Additional items of loss covered by this endorsement

If the Insured is Evicted, the following items of loss, if applicable, shall be included in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title.

   a. The reasonable cost of removing and relocating any Personal Property that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, the cost of transportation of that Personal Property for the initial one hundred miles incurred in connection with the relocation, and the reasonable cost of repairing the Personal Property damaged by reason of the removal and relocation.

b. Rent or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.

c. The amount of rent that, by the terms of the Lease, the Insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate and Tenant Leasehold Improvements from which the Insured has been Evicted.

d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease or sublease made by Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.

e. Damages that the Insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease made by the Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements caused by the Eviction

f. Reasonable costs incurred by the Insured to secure a replacement leasehold equivalent to the Leasehold Estate.

g. If Tenant Leasehold Improvements are not substantially completed at the time of Eviction, the actual cost incurred by the Insured, less the salvage value, for the Tenant Leasehold Improvements up to the time of Eviction. Those costs include costs incurred to obtain land use, zoning, building and occupancy permits, architectural and engineering fees, construction management fees, costs of environmental testing and reviews, and landscaping costs.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements to it.

Dated: **May 01, 2007** at 8:31 A.M.

Ticor Title Insurance Company

Countersigned by:

Authorized Signature

ALTA Endorsement Form 13-06
Leasehold–Owners (6/17/06)

CLTA Form 103.7
File: **71102620-711-KM**

Land Abuts Street

ENDORSEMENT

Attached to Policy No. 22-106-21234
Issued By

Ticor Title Insurance Company

The Company hereby insures the insured against loss or damage which the insured shall sustain by reason of the failure of the land to abut upon a physically open street known as Stone Avenue, Church Avenue and Pennington Avenue.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

Dated: **May 01, 2007**

Ticor Title Insurance Company

By: _____
Authorized Signatory

requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS: TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A; or,

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or

(ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT

If the land described in applicable Schedule consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

11. LIABILITY NONCUMULATIVE

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against Non-insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is $1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of $1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at Ticor Title Insurance Company, Claims Department, P.O. Box 2233, Los Angeles, California 90051.

TICOR TITLE INSURANCE

Policy of Title Insurance

Ticor Title Insurance Company

F. ANN RODRIGUEZ, RECORDER
RECORDED BY: NMB
DEPUTY RECORDER
1134 AS1
TICOR
TIMOTHY E PICKRELL
TWO RENAISSANCE SQUARE
40 N CENTRAL AVE 2700
PHOENIX AZ 85004

DOCKET: 13045
PAGE: 68
NO. OF PAGES: 37
SEQUENCE: 20070840010
05/01/2007
WTDEED 08:31
MAIL
AMOUNT PAID $ 75.00

E A S T S I D E

When recorded, return to:

Timothy E. Pickrell, Esq.
Squire, Sanders & Dempsey L.L.P.
Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Exemption Claimed: A.R.S. § 11-1134(A)(3) and (B)(1)

SPECIAL WARRANTY DEED

For the consideration of TEN AND NO/100 DOLLARS ($10.00), and other valuable consideration, the parties identified on attached Exhibit B, the "GRANTORS," do hereby convey to U.S. BANK NATIONAL ASSOCIATION, as Trustee for the Owners of Certificates of Participation, Series 2007, Evidencing the Proportionate Interests of the Owners Thereof in Lease Payments to be made by PIMA COUNTY, ARIZONA, as Lessee for Certain Real and Personal Property pursuant to a Lease-Purchase Agreement, the "GRANTEE," the following described real property ("Property") situated in Pima County, Arizona:

SEE ATTACHED EXHIBIT A FOR LEGAL DESCRIPTION

Subject to current taxes and other assessments, reservations and all easements, rights of way, covenants, conditions, restrictions, liens, and encumbrances of record.

Grantor warrants the title against its acts and none other, subject to the matters hereinabove set forth.

[Signature pages follow]

37

DATED: 3/28, 2007

33 NORTH STONE PARTNERS, an Arizona general partnership

By: Colton Properties, Inc., a California corporation, as Managing Partner

By: _____
Jon W. McClintock, Chief Financial Officer

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MARCH, 2007, by Jon W. McClintock, Chief Financial Officer of Colton Properties, Inc., as the Managing Partner of 33 North Stone Partners, for the purposes therein contained.

_____
Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

LASER MED, L.C., a Utah limited liability company

Douglas B. McAllister by:

By: as his attorney in fact
Jon W. McClintock, its attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Laser Med, L.C., for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

0700015 UA-01-1

DATED: 3/28, 2007

Gary G. Fitzgerald

Gary G. Fitzgerald by:

By: as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

La Dean Fitzgerald

La Dean Fitzgerald by:

By: as her attorney in fact
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Gary G. Fitzgerald, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for La Dean Fitzgerald, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

The Daniel A. Miller Family Trust, originally established on May 29, 1998, Daniel A. Miller, Trustee

Daniel A. Miller Trustee by:

By: as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MARCH 2007, by Jon W. McClintock, as attorney in fact for Daniel A. Miller, Trustee of the Daniel A. Miller Family Trust, originally established on May 29, 1998, for the purposes therein contained.

Notary Public

My Commission Expires:

11.16.08.

DATED: 3/28, 2007

MILY, LLC, a California limited liability company

Ila U. Lock by:

By: as her attorney in fact

Jon W. McClintock, its attorney in fact

("GRANTOR")

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Mily, LLC, for the purposes therein contained.

Notary Public

My Commission Expires:

11-16-08

388878.3

DATED: 3/28, 2007

Wallace R. Alvey

Wallace R. Alvey by: /—

By: as his attorney in fact

Jon W. McClintock, his attorney in fact

("GRANTOR")

Sharon S. Alvey

Sharon S. Alvey by: /—

By: as her attorney in fact

Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MARCH, 2007, by Jon W. McClintock, as attorney in fact for Wallace R. Alvey, for the purposes therein contained.

Notary Public

My Commission Expires:

11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Sharon S. Alvey, for the purposes therein contained.

Notary Public

My Commission Expires:

11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

The Raymond O. Vincenti Family Trust, Dated May 13, 1991, Raymond O. Vincenti, Trustee

Raymond O. Vincenti Trustee by:

By: as his attorney in fact

Jon W. McClintock, his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Raymond O. Vincenti, Trustee of the Raymond O. Vincenti Family Trust, Dated May 13, 1991, for the purposes therein contained.

Notary Public

My Commission Expires:

11. 16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm Expires Nov 16, 2008

57000 03/31/07

DATED: 3/28, 2007

The Ryan Family Trust, Dated June 29, 1989,
D. William Ryan, Trustee

D. William Ryan Trustee by:

By: as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for D. William Ryan, Trustee of the Ryan Family Trust, Dated June 29, 1989, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

Norman R. Bramble

Norman R. Bramble by:

By: as his attorney in fact

Jon W. McClintock, his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Norman R. Bramble, for the purposes therein contained.

Notary Public

My Commission Expires:

11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

Kay Madsen

Kay Madsen by: J
as her attorney in fact

By: _____
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Kay Madsen, for the purposes therein contained.

_____
Notary Public

My Commission Expires:
11.16.08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm Expires Nov 16, 2008

DATED: 3/28, 2007

Angelos and Anna Sakkis Revocable Trust, Dated February 24, 1993, Angelos Sakkis, Trustee

Angelos Sakkis Trustee by: [signature]

By: as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

Angelos and Anna Sakkis Revocable Trust, Dated February 24, 1993, Anna Sakkis, Trustee

Anna Sakkis Trustee by: [signature]

By: as her attorney in fact
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Angelos Sakkis, Trustee of the Angelos and Anna Sakkis Revocable Trust, Dated February 24, 1993, for the purposes therein contained.

[signature]
Notary Public

My Commission Expires:
11.16.08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Anna Sakkis, Trustee of the Angelos and Anna Sakkis Revocable Trust, Dated February 24, 1993, for the purposes therein contained.

[signature]
Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

Dale H. Steinberg
Dale A. Steinberg by: J —
By: as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

Joyce B. Steinberg
Joyce B. Steinberg by: J —
By: as her attorney in fact
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Dale H. Steinberg, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Joyce B. Steinberg, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

388878.3

DATED: 3/28, 2007

Kurt R. Ottmann, who acquired title as Kurt R. Ottman

Kurt R. Ottman by:

By: as his attorney in fact
Jon W. McClintock, as his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Kurt R. Ottmann, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

1304500001

388878.3

DATED: 3/28, 2007

Norris C. Guy

Norris C. Guy by:

By: as his attorney in fact

Jon W. McClintock, his attorney in fact

("GRANTOR")

Jeanne J. Guy

Jeanne J. Guy by:

By: as her attorney in fact

Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Norris C. Guy, for the purposes therein contained.

Notary Public

My Commission Expires:

11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Jeanne J. Guy, for the purposes therein contained.

Notary Public

My Commission Expires:

11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: March 28, 2007

Glen F. Brimhall

By: _____ PERSONAL REPRESENTATIVE
Frank Brimhall, as Domiciliary Foreign Personal Representative of the Estate of Glen F. Brimhall, Deceased, Superior Court Probate Number PB20070303

("GRANTOR")

STATE OF Utah)
) ss:
County of Utah)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of March, 2007, by Frank Brimhall, as Domiciliary Foreign Personal Representative of the Estate of Glen F. Brimhall, Deceased, Superior Court Probate Number PB20070303, for the purposes therein contained.

Maralee Mortensen
Notary Public

My Commission Expires:
Feb 19, 2009

MARALEE MORTENSEN
NOTARY PUBLIC-STATE OF UTAH
33 EAST MAIN STREET
AMERICAN FORK, UT 84003
COMM. EXP. 02-19-2009

20070303 05-24-07

388878.3

DATED: 3/28, 2007

Edward A. Siminich Separate Property Revocable Trust, Established April 7, 2006
Edward A. Siminich, Trustee

Edward A. Siminich Trustee by:

By: as his attorney in fact
Jon McClintock, his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon McClintock, attorney in fact for Edward A. Siminich, Trustee of the Edward A. Siminich Separate Property Revocable Trust, Established April 7, 2006, for the purposes therein contained.

Notary Public

My Commission Expires:
11-16-08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

A000000 5142034

DATED: 3/28, 2007

Margaret I. Siminich Separate Property Revocable Trust, Established April 7, 2006
Margaret I. Siminich, Trustee

margt I. Siminich Trustee by: [illegible]

By: as her attorney in fact
Jon McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon McClintock, attorney in fact for Margaret I. Siminich, Trustee of the Margaret I. Siminich Separate Property Revocable Trust, Established April 7, 2006, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

388878.3

DATED: 3/28, 2007

William A. Hicks

William A. Hicks by: [illegible]

By: as his attorney in fact

Jon W. McClintock, his attorney in fact

("GRANTOR")

Grace H. Hicks

Grace A. Hicks by: [illegible]

By: as her attorney in fact

Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA.)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for William A. Hicks, for the purposes therein contained.

Notary Public

My Commission Expires:

11-16-08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Grace H. Hicks, for the purposes therein contained.

Notary Public

My Commission Expires:

11-16-08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

HAMILTON LAND DEVELOPMENT, L.L.C., a Utah limited liability company

Clyde Hamilton by:
By: as his attorney in fact
Jon W. McClintock, its attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Hamilton Land Development, L.L.C., for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

Kelly Leon Cook

Kelly Leon Cook by:

By: as his attorney in fact

Jon W. McClintock, his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Kelly Leon Cook, for the purposes therein contained.

Notary Public

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

My Commission Expires:

11.16.08

20080145 0143

DATED: 3/28, 2007

Wilson Wai Suen Fong

Wilson Wai Suen Fong by:

By: as his attorney in fact

Jon W. McClintock, as his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Wilson Wai Suen Fong, for the purposes therein contained.

Notary Public

My Commission Expires:

11.16.08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

Horton Family Trust, Dated September 30, 1997, as amended, Creighton C. Horton, Trustee

Creighton C. Horton Trustee by:

By: as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

Horton Family Trust, Dated September 30, 1997, as amended, Anne R. Horton, Trustee

Anne R. Horton trustee by:

By: as her attorney in fact
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Creighton C. Horton, Trustee of the Horton Family Trust, Dated September 30, 1997, as amended, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Anne R. Horton, Trustee of the Horton Family Trust, Dated September 30, 1997, as amended, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

MRF FAMILY LIMITED, a Utah Limited Partnership

Lilford Carson by:

By: as his attorney in fact
Jon W. McClintock, its attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for MRF Family Limited, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

10045 00001

DATED: 3/28, 2007

Russell R. Bierley and Kay J. Bierley Inter Vivos Revocable Trust Agreement, Dated July 2, 1981, Russell R. Bierley, Trustee

Russell R. Bierley Trustee by:

By: _____ as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

Russell R. Bierley and Kay J. Bierley Inter Vivos Revocable Trust Agreement, Dated July 2, 1981, Kay J. Bierley, Trustee

Kay J. Bierley Trustee by:

By: _____ as her attorney in fact
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Russell R. Bierley, Trustee of the Russell R. Bierley and Kay J. Bierley Inter Vivos Revocable Trust Agreement, Dated July 2, 1981, for the purposes therein contained.

_____
Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Kay J. Bierley, Trustee of the Russell R. Bierley and Kay J. Bierley Inter Vivos Revocable Trust Agreement, Dated July 2, 1981, for the purposes therein contained.

_____
Notary Public

My Commission Expires:
11.16.08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

Frank B. Nance

Frank B. Nance by:

By: as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Frank B. Nance, for the purposes therein contained.

Notary Public

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

My Commission Expires:
11-16-08

388878.3

DATED: 3/28, 2007

Janice Phelps Andersen

Janice Phelps Andersen by:

By: _____ as her attorney in fact

Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Janice Phelps Andersen, for the purposes therein contained.

_____
Notary Public

My Commission Expires:

11-16-08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: 3/28, 2007

Pauline R. Murphy Living Trust under Agreement, Dated February 1, 1991, Pauline R. Murphy, Trustee

Pauline R. Murphy Trustee by:

By: [signature] as her attorney in fact
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Pauline R. Murphy, Trustee of the Pauline R. Murphy Living Trust under Agreement, Dated February 1, 1991, for the purposes therein contained.

[signature]
Notary Public

My Commission Expires:
11-16-08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

388878.3

DATED: 3/28, 2007

Robert W. Halprin and Jacqueline B. Halprin Family Trust, dated March 28, 1985, Robert W. Halprin, Trustee

Robert W. Halprin trustee by:

By: [signature] as his attorney in fact
Jon W. McClintock, his attorney in fact

("GRANTOR")

Robert W. Halprin and Jacqueline B. Halprin Family Trust, dated March 28, 1985 Jacqueline B. Halprin, Trustee

Jacqueline B. Halprin trustee by:

By: [signature] as her attorney in fact
Jon W. McClintock, her attorney in fact

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Robert W. Halprin, Trustee of the Robert W. Halprin and Jacqueline B. Halprin Family Trust, Dated March 28, 1985, for the purposes therein contained.

[signature]
Notary Public

My Commission Expires:
11-16-08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by Jon W. McClintock, as attorney in fact for Jacqueline B. Halprin, Trustee of the Robert W. Halprin and Jacqueline B. Halprin Family Trust, Dated March 28, 1985, for the purposes therein contained.

[signature]
Notary Public

My Commission Expires:
11-16-08

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

DATED: MARCH 28, 2007

Colton Family Trust, Dated September 17, 1991,
David A. Colton and Linda H. Colton, Trustees

By: D A Colton Trustee
David A. Colton, Trustee

("GRANTOR")

STATE OF CA)
) ss:
County of ORANGE)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 28 day of MAR, 2007, by David A. Colton, Trustee of the Colton Family Trust, Dated September 17, 1991, for the purposes therein contained.

Notary Public

My Commission Expires:
11.16.08.

JULIE F. MORIN
Commission # 1527278
Notary Public - California
Orange County
My Comm. Expires Nov 16, 2008

388878.3

EXHIBIT A

LEGAL DESCRIPTION

[Legal Description of Parcel 1 and Parcel 2 to be inserted]

0100020 15-2041-1

Exhibit A

PARCEL NO. 1:

All of Lots 1, 2, 5, 6 and 7 and all that portion of Lot 8 in Block 196 of THE CITY OF TUCSON, Pima County, Arizona, according to the official field notes, map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 8;

Thence Westerly along the North line of said Lot, 7 feet to a point;

Thence Southerly and parallel to the East line of said Lot, 7 feet to a point;

Thence Easterly and parallel with the North line of said Lot, 7 feet to a point on the East line of said lot;

Thence Northerly 7 feet to the PLACE OF BEGINNING.

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

North by the North line of Block 196;

West by the West line of Block 196; and

on the Southeast by the arc of a circle of radius 25 feet, concave to the Southeast and tangent to the North and West line of said three-sided parcel.

AND FURTHER EXCEPTING THEREFROM that portion of Lot 1 conveyed to the City of Tucson, a Municipal Corporation, by Deed recorded in Docket 4976, Page 527, described as follows:

A three-sided parcel bounded on the:

North by the North line of Block 196;

East by the East line of Block 196; and

Southwest by the arc of a circle of radius 25 feet, concave to the Southwest and tangent to the North and East line of said three-sided parcel.

PARCEL NO. 2:

Those rights and easements for parking, vehicular and pedestrian ingress and egress set forth in an Easement and Use Agreement dated September 22, 1976 and recorded September 30, 1976 in Docket 5368, Page 754.

Affecting all those parts of Lots 4 and 5 of Block 194 of the City of Tucson, Pima County, Arizona, according to the official field notes, map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 4;

Thence South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 4, a distance of 130.29 feet to the Northwest corner of said Lot 4;

Thence continuing South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 5, a distance of 25.22 feet to the Northeast corner of that parcel conveyed by Deed of Record in said office of the County Recorder in Book 205 of Deeds at Page 381;

Thence South 10 degrees 00 minutes 22 seconds East, along the East line of said parcel, 227.56 feet to a point in the North Wall of the Pioneer Pool and Patio Deck;

Thence North 77 degrees 21 minutes 47 seconds East, along said North wall, 24.91 feet to a point in the West line of said Lot 4 of Block 194, which point is South 10 degrees 00 minutes 22 seconds East along said West line, 222.33 feet from the Northwest corner of said Lot 4;

Thence North 76 degrees 31 minutes 31 seconds East, along said North wall 129.95 feet to a point in the East line of said Lot 4;

Thence North 10 degrees 20 minutes 37 seconds West along said East line, 193.36 feet to the POINT OF BEGINNING.

00105 00103

EXHIBIT B

GRANTORS

1. 33 North Stone Partners, an Arizona general partnership

2. Laser Med, L.C., a Utah limited liability company

3. ~~Gary G. Fitzgerald and La Dean Fitzgerald, husband and wife, as joint tenants with right~~ of survivorship

4. Daniel A. Miller, as Trustee of the Daniel A. Miller Family Trust, Dated May 29, 1998*

5. Mily, LLC, a California limited liability company

6. Wallace R. Alvey and Sharon S. Alvey, husband and wife, as joint tenants with right of survivorship

7. Raymond O. Vincenti, as Trustee of the Raymond O. Vincenti Family Trust, Dated May 13, 1991*

8. D. William Ryan, as Trustee for the Ryan Family Trust dated June 29, 1989*

9. Norman R. Bramble, a single man

10. Kay Madsen, a married woman, as her sole and separate property

11. Angelos Sakkis and Anna Sakkis, as Trustees of the Angelos and Anna Sakkis Revocable Trust, Dated February 24, 1993*

12. Dale H. Steinberg and Joyce B. Steinberg, husband and wife, as joint tenants with right of survivorship

13. Kurt R. Ottmann, a single man, who acquired title as Kurt R. Ottman

14. Norris C. Guy and Jeanne J. Guy, husband and wife, as joint tenants with right of survivorship

15. Glen Brimhall, by Frank Brimhall, as Domiciliary Foreign Personal Representative of the Estate of Glen F. Brimhall, Deceased, Superior Court Probate Number PB20070303

16. Edward A. Siminich, as Trustee of the Edward A. Siminich Separate Property Revocable Trust, Established April 7, 2006

17. Margaret I. Siminich, as Trustee of the Margaret I. Siminich Separate Property Revocable Trust, Established April 7, 2006

18. William A. Hicks and Grace H. Hicks, husband and wife, as community property with right of survivorship

19. Hamilton Land Development, L.L.C., a Utah limited liability company

20. Kelly Leon Cook, a married man, as his sole and separate property

21. Wilson Wai Suen Fong, a married man, as his sole and separate property

22. Creighton C. Horton and Anne R. Horton, as Trustees of the Horton Family Trust, Dated September 30, 1997, as amended*

23. MRF Family Limited, a Utah Limited Partnership

24. Russell R. Bierley and Kay J. Bierley, as Trustees of the Russell R. Bierley and Kay J. Bierley Inter Vivos Revocable Trust Agreement dated July 2, 1981*

25. Frank B. Nance, a married man, as his sole and separate property

26. Janice Phelps Andersen, a married woman, as her sole and separate property

27. Pauline R. Murphy, as Trustee of the Pauline R. Murphy Living Trust under agreement dated February 1, 1991*

28. Robert W. Halprin and Jacqueline B. Halprin, as Trustees of the Robert W. Halprin and Jacqueline B. Halprin Family Trust, dated March 28, 1985*

29. David A. Colton and Linda H. Colton, as Trustees of the Colton Family Trust, dated September 17, 1991*

NO1-08 05-03-1

EXHIBIT C

BENEFICIARIES OF GRANTOR TRUSTS

	Trust	Beneficiaries
1.	Daniel A. Miller Family Trust, Dated May 29, 1998	Daniel A. Miller 13547 Ventura Boulevard, PMB 93 Sherman Oaks, CA 91423
2.	Raymond O. Vincenti Family Trust, Dated May 13, 1991	Grace Vincenti 119 Via Lido Soud, Newport Beach, CA 92663
3.	Ryan Family Trust, Dated June 29, 1989	D. William Ryan 3002 Brillante, San Clemente, CA 92673 Janie E. Ryan 3002 Brillante, San Clemente, CA 92673
4.	Angelos and Anna Sakkis Revocable Trust, Dated February 24, 1993	Petros Sakkis 4168 Rettig Ave., Oakland, CA 94602
5.	Edward A. Siminich Separate Property Revocable Trust, Established April 7, 2006	Michelle Sabina 101.5 Oak Street, Hood River, OR 97031 Stephanie Shinkle 23304 Grant St., Torrance, CA 90505
6.	Margaret I. Siminich Separate Property Revocable Trust, Established April 7, 2006	Michelle Sabina 101.5 Oak Street, Hood River, OR 97031 Stephanie Shinkle 23304 Grant St., Torrance, CA 90505
7.	Horton Family Trust, Dated September 30, 1997, as amended	Eve Chamberlain 2197 S. 2200 E., Salt Lake City, UT 84109 Creighton C. Horton II 3068 Plateau, Salt Lake City, UT 84109 Joan Evans 3767 Sweetwater Dr., Rocklin, CA 95677 Joseph R. Horton 4564 Holly Lane, Salt Lake City, UT 84117

8.	Russell R. Bierley and Kay J. Bierley Inter Vivos Revocable Trust Agreement, Dated July 2, 1981	Russell R. and Kay J. Bierley 9502 E. Arrowvale Dr., Sun Lakes, AZ 85248
9.	Pauline R. Murphy Living Trust Under Agreement, Dated February 1, 1991	Keith Doyle 3780 Richards Ave., Las Vegas, NV 89139 Adrianne Brennan 919 Gardenia, Corona del Mar, CA 92625 Graham Doyle 3901 Pacific Coast Hwy, Corona del Mar, CA 92625
10.	Robert W. Halprin and Jacqueline B. Halprin Family Trust, Dated March 28, 1985	Robert Halprin 16541 Greenview, Huntington Beach, CA 92649 Jacqueline Halprin 16541 Greenview, Huntington Beach, CA 92649
11.	Colton Family Trust, Dated September 17, 1991	David A. Colton 2301 Campus Dr., #200, Irvine, CA 92612 Linda H. Colton 2301 Campus Dr., #200, Irvine, CA 92612 Robert Scott Colton 2301 Campus Dr., #200, Irvine, CA 92612 Thomas Andrew Colton 2301 Campus Dr., #200, Irvine, CA 92612

E A S T S I D E

F. ANN RODRIGUEZ, RECORDER
RECORDED BY: NMB
DEPUTY RECORDER
1134 AS1

TICOR
SQUIRE SANDERS & DEMPSEY
TWO RENAISSANCE SQUARE
40 N CENTRAL AVE 2700
PHOENIX AZ 85004

DOCKET: 13045
PAGE: 242
NO. OF PAGES: 4
SEQUENCE: 20070840014
05/01/2007
WTDEED 08:31

MAIL
AMOUNT PAID $ 10.00

When recorded, return to:

Timothy E. Pickrell, Esq.
Squire, Sanders & Dempsey L.L.P.
Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Exemption Claimed: A.R.S. § 11-1134(A)(3) and (B)(1)

SPECIAL WARRANTY DEED

For the consideration of TEN AND NO/100 DOLLARS ($10.00), and other valuable consideration, U.S. BANK NATIONAL ASSOCIATION, as Trustee for the Owners of Certificates of Participation, Series 2007, Evidencing the Proportionate Interests of the Owners Thereof in Lease Payments to be made by PIMA COUNTY, ARIZONA, as Lessee for Certain Real and Personal Property pursuant to a Lease-Purchase Agreement, the "GRANTOR," does hereby convey to PIMA COUNTY, ARIZONA, the "GRANTEE," the following described real property ("Property") situated in Pima County, Arizona:

SEE ATTACHED EXHIBIT A FOR LEGAL DESCRIPTION

Subject to current taxes and other assessments, reservations and all easements, rights of way, covenants, conditions, restrictions, liens, and encumbrances of record and subject also to, and reserving in GRANTOR its rights under that certain Ground Lease, dated as of May 1, 2007, between GRANTEE, as lessor thereunder, and GRANTOR, as lessee thereunder.

Grantor warrants the title against its acts and none other, subject to the matters hereinabove set forth.

[Signature page follows]

DATED: April 26, 2007

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Its: Assistant Vice President

("GRANTOR")

STATE OF ARIZONA)
) ss:
County of Maricopa)

The foregoing instrument was acknowledged before me, the undersigned Notary Public, this 26th day of April, 2007, by Deborah Scherer, Assistant Vice President, of U.S. Bank National Association for and on behalf of said corporation, for the purposes therein contained.

Jean E. Reynolds
Notary Public

My Commission Expires:

August 15, 2008

OFFICIAL SEAL
JEAN E. REYNOLDS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Expires Aug. 15, 2008

13045 0243

Exhibit A

PARCEL NO. 1:

All of Lots 1, 2, 5, 6 and 7 and all that portion of Lot 8 in Block 196 of THE CITY OF TUCSON, Pima County, Arizona, according to the official field notes, map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 8;

Thence Westerly along the North line of said Lot, 7 feet to a point;

Thence Southerly and parallel to the East line of said Lot, 7 feet to a point;

Thence Easterly and parallel with the North line of said Lot, 7 feet to a point on the East line of said lot;

Thence Northerly 7 feet to the PLACE OF BEGINNING.

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

North by the North line of Block 196;

West by the West line of Block 196; and

on the Southeast by the arc of a circle of radius 25 feet, concave to the Southeast and tangent to the North and West line of said three-sided parcel.

AND FURTHER EXCEPTING THEREFROM that portion of Lot 1 conveyed to the City of Tucson, a Municipal Corporation, by Deed recorded in Docket 4976, Page 527, described as follows:

A three-sided parcel bounded on the:

North by the North line of Block 196;

East by the East line of Block 196; and

Southwest by the arc of a circle of radius 25 feet, concave to the Southwest and tangent to the North and East line of said three-sided parcel.

PARCEL NO. 2:

Those rights and easements for parking, vehicular and pedestrian ingress and egress set forth in an Easement and Use Agreement dated September 22, 1976 and recorded September 30, 1976 in Docket 5368, Page 754.

Affecting all those parts of Lots 4 and 5 of Block 194 of the City of Tucson, Pima County, Arizona, according to the official field notes, map and survey made by S.W. Foreman and approved and adopted by the Mayor and Common Council of the City (then Village) of Tucson, on June 26, 1872, a certified copy of which map is recorded in Book 3 of Maps and Plats at Page 70, Pima County Records, described as follows:

Beginning at the Northeast corner of said Lot 4;

Thence South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 4, a distance of 130.29 feet to the Northwest corner of said Lot 4;

Thence continuing South 89 degrees 19 minutes 08 seconds West along the North line of said Lot 5, a distance of 25.22 feet to the Northeast corner of that parcel conveyed by Deed of Record in said office of the County Recorder in Book 205 of Deeds at Page 381;

Thence South 10 degrees 00 minutes 22 seconds East, along the East line of said parcel, 227.56 feet to a point in the North Wall of the Pioneer Pool and Patio Deck;

Thence North 77 degrees 21 minutes 47 seconds East, along said North wall, 24.91 feet to a point in the West line of said Lot 4 of Block 194, which point is South 10 degrees 00 minutes 22 seconds East along said West line, 222.33 feet from the Northwest corner of said Lot 4;

Thence North 76 degrees 31 minutes 31 seconds East, along said North wall 129.95 feet to a point in the East line of said Lot 4;

Thence North 10 degrees 20 minutes 37 seconds West along said East line, 193.36 feet to the POINT OF BEGINNING.

Moody's Investors Service

99 Church Street
New York, NY

April 30, 2007

Ambac
One State Street Plaza
New York, NY 10004

To Whom It May Concern:

Moody's Investors Service has assigned the rating of **Aaa** (Ambac Insured - Policy No. **26524BE**) to the **$30,320,000.00, Pima County, Arizona - Certificates of Participation (Justice Building Project), Series 2007-A and Series 2007-B (Taxable)**, dated May 1, 2007 which sold through negotiation on April 18, 2007. The rating is based upon an insurance policy provided by Ambac.

Should you have any questions regarding the above, please do not hesitate to contact Karen Malkowski at (201) 395-6370.

Sincerely yours,

Joann Hempel

Joann Hempel
Vice President / Senior Credit Officer

JH / PS

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 40183014

April 27, 2007

Ambac Assurance Corporation
One State Street Plaza 15th FL
New York, NY 10004
Attention: Ms. Yolanda Ortiz, Insurance Coordinator

Re: ***$30,320,000 Pima County, Arizona, Certificates of Participation (Justice Building Project), dated: May 1, 2007, consisting of: $28,765,000 Series 2007-A due: July 1, 2009-2022;and $1,555,000 Taxable Series 2007-B due: July 1, 2008-2009, (POLICY #26524BE)***

Dear Ms. Ortiz:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A+". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard and Poor's /WSD

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Moody's Investors Service

One Front Street, Suite 1900
San Francisco, CA 94111

January 26, 2007

Mr. Tom Burke
Finance Director
Pima County
130 West Congress
10th Floor
Tucson, AZ 85701

Dear Mr. Burke:

We wish to inform you that on January 25, 2007, Moody's Investors Service reviewed and assigned a rating of **A1** to Pima County's Certificate of Participation, Series 2007 (Justice Building Project).

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Jolene Yee, at 415-274-1720.

Sincerely,

Kenneth B. Kurtz

Kenneth B. Kurtz
Managing Director

KBK:JY/cm

cc: Mr. Nick Dodd
RBC Dain Rauscher Inc.
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016

STANDARD
&POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 815805

January 26, 2007

Pima County
Finance Department
130 West Congress Street, 10th Floor
Tucson, AZ 85701
Attention: Mr. Thomas Burke, Director of Finance

Re: ***US$27,000,000 Pima County, Arizona, Certificates of Participation, Series 2007 (Justice Building Project), dated: February 1, 2007, due: January 1, 2022***

Dear Mr. Burke:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "A+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial

information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard & Poor's

ed
enclosures
cc: Mr. Nicholas J. Dodd, Vice President
RBC Capital Markets

STANDARD
&POOR'S

Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

Form **8038-G**
(Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate Instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If **Amended Return,** check here ▶ ☐

1	Issuer's name **Pima County, Arizona**	2	Issuer's employer identification number **86 6000543**
3	Number and street (or P.O. box if mail is not delivered to street address) **130 West Congress, 10th Floor**	Room/suite	4 Report number **3 04**
5	City, town, or post office, state, and ZIP code **Tucson, Arizona 85701**	6	Date of issue **5/1/2007**
7	Name of issue **Certificates of Participation (Justice Building Project), Series 2007-A**	8	CUSIP number **721664 CH1**
9	Name and title of officer or legal representative whom the IRS may call for more information **Thomas Burke, Finance and Risk Management Director**	10	Telephone number of officer or legal representative **(520) 740-3030**

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☑ Other. Describe ▶ **Various county governmental functions**	18	30,192,246.55
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	July 1, 2022	$30,192,246.55	$28,765,000.00	9.561 years	4.13564 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	30,192,246.55
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	497,995.18		
25	Proceeds used for credit enhancement	25	132,221.17		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	630,216.35
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	29,562,030.20

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	N/A years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	N/A years
33	Enter the last date on which the refunded bonds will be called ▶	N/A
34	Enter the date(s) the refunded bonds were issued ▶	

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	N/A
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	N/A
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: **a** Proceeds of this issue that are to be used to make loans to other governmental units	37a	N/A

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐
40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Thomas Burke — 5/1/2007

Signature of issuer's authorized representative — Date

Thomas Burke, Finance and Risk Mngt Director
Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

Cat. No. 63773S Form **8038-G** (Rev. 11-2000)

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

Direct: +1.602.528.4031
tpickrell@ssd.com

May 3, 2007

Via Certified Mail

Internal Revenue Service Center
Ogden, Utah 84201

Re: Pima County, Arizona
Certificates of Participation (Justice Building Project), Series 2007-A

Ladies and Gentlemen:

On behalf of Pima County, Arizona, enclosed is Form 8038-G, Information Return for Tax-Exempt Governmental Obligations.

Sincerely,

Timothy E. Pickrell

TEP:jer
Enclosure

7003 2260 0003 0952 4900

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com®

OFFICIAL USE

Postage	$ .39
Certified Fee	2.40
Return Reciept Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$ 2.79

Postmark Here

USPS SUNNYSLOPE STA PHOENIX AZ 85020 MAY - 3 2007

Sent To Internal Revenue Service Center

Street, Apt. No.; or PO Box No. Ogden, Utah 84201

City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

Direct: +1.602.528.4031
tpickrell@ssd.com

AFFIDAVIT OF MAILING

STATE OF ARIZONA)
) ss:
County of Maricopa)

I, Timothy E. Pickrell, being first duly sworn upon my oath, depose and say that I delivered to the United States Postal Service on the 3rd day of May, 2007, an envelope containing a Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, with respect to the Pima County, Arizona Certificates of Particiatipon (Justice Building Project), Series 2007-A, postage prepaid, certified mail (Certified Number 7003 2260 0003 0952 4900), addressed as follows:

Internal Revenue Service Center
Ogden, Utah 84201

Timothy E. Pickrell

SUBSCRIBED AND SWORN to before me this 3rd day of May, 2007.

Notary Public

OFFICIAL SEAL
JEAN E. REYNOLDS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Expires Aug. 15, 2008

My Commission Expires:

August 15, 2008

Report of Bond and Security Issuance
Pursuant to A.R.S. § 35-501B

This information is due to the Department of Revenue within 60 days of the issue.

1. Jurisdiction: Pima County, Arizona	
2. Issue name/title: Certificates of Participation, Series 2007-A and Taxable Series 2007-B	
3. Dated Date: May 1, 2007 Closing Date: May 1, 2007	4. Par amount: $30,320,000
5. Overall Interest rate (~~TIC~~ OR NIC): 4.4769618%	6. Type of Bond or Security: annual appropriation
7. Repayment sources: Lease payments	
8. Total amount outstanding: $58,655,000	9. Total amount outstanding of senior or subordinate bonds: $28,335,000
10. Original issue price: a. Par Amount (Principal Amount) $30,320,000.00	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: N/A **For general obligation Bonds:** a. Secondary net assessed value: N/A
b. Original Issue Discount (-) (0.00)	
c. Premium Amount (+) 1,427,246.55	b. Debt limit percentage: N/A
d. Original Issue Price (=) $31,747,246.55	c. Total debt limit: N/A
e. Underwriter Compensation (Discount) (-) (409,320.00)	12. Available debt limit: N/A
f. Net Proceeds (=) $31,337,926.55	13. Total amount authorized: $ N/A
14. Remaining authorized amount: N/A	15. If voter authorized, Election dates:

16 – 19 Please attach 1) a schedule providing a detailed listing of Issue Costs; 2) the Debt Service Schedule; 3) Form 8038, and 4) the Final Official Statement. Please refer to instructions on back of form.

Signature

May 1, 2007
Date

Title, address and phone number

Timothy E. Pickrell., Esq.
Bond Counsel
Squire, Sanders & Dempsey L.L.P.
40 North Central Avenue, #2700
Phoenix, Arizona 85004
(602) 528-4031

Trustee name, address and phone number

U.S. Bank National Association
Bond Registrar and Paying Agent
Corporate Trust Services
101 North First Ave., Suite 1600
Phoenix, Arizona 85003
(602) 257-5431

Political Subdivision Contact Name, address, phone number

Pima County Finance Department
Pima County, Arizona
130 West Congress, 6th Floor
Tucson, Arizona 85701
(520) 740-3030

Submit this form with attachments within 60 days of issuance to:

Arizona Department of Revenue
Attention Econometrics Section
1600 W Monroe
Phoenix AZ 85007

ARIZONA DEPARTMENT OF REVENUE
Report of Bond and Security Issuance
Schedule 1

For each maturity date, list either the Original Issue Discount or the Premium Amount. The total of these figures should equal the amounts listed on 10b and 10c on the form. In all cases, 10a – 10b + 10c – 10e = 10f.

Name of Issue: PIMA COUNTY, ARIZONA CERTIFICATES OF PARTICIPATION, SERIES 2007-A AND TAXABLE SERIES 2007-B

Par Amount: $30,320,000 Date Closed: May 1, 2007

Maturity Date	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
2008 (Taxable 2007-B)	1,245,000	5.22%	5.22%	1,245,000.00	-0-
2009 (Taxable 2007-B)	310,000	5.04	5.04	310,000.00	-0-
2009	1,235,000	4.00	3.68	1,243,101.60	8,101.60
2010	1,610,000	4.00	3.71	1,623,749.40	13,749.40
2011	1,675,000	4.00	3.75	1,690,929.25	15,929.25
2012	1,740,000	4.00	3.83	1,753,659.00	13,659.00
2013	1,810,000	4.25	3.88	1,846,326.70	36,326.70
2014	1,890,000	4.25	3.92	1,928,537.10	38,537.10
2015	1,970,000	5.00	3.95	2,113,081.10	143,081.10
2016	2,065,000	5.00	4.01	2,220,411.90	155,411.90
2017	2,170,000	5.00	4.06	2,338,392.00	168,392.00
2018	2,280,000	5.00	4.13	2,443,179.60	163,179.60
2019	2,395,000	5.00	4.16	2,560,255.00	165,255.00
2020	2,515,000	5.00	4.19	2,682,096.60	167,096.60
2021	2,640,000	5.00	4.22	2,808,643.20	168,643.20
2022	2,770,000	5.00	4.25	2,939,884.10	169,884.10
Total	$30,320,000			$31,747,246.55	$1,427,246.55
10e Underwriter's Discount and/or Placement Agent Fee, if any				(409,320.00)	
10f Net Proceeds (as shown on issuance form)				$31,337,926.55	

ATTACHMENT TO
REPORT OF BOND AND SECURITY ISSUANCE

Name of Issue: PIMA COUNTY, ARIZONA CERTIFICATES OF PARTICIPATION (JUSTICE BUILDING PROJECT), SERIES 2007-A AND TAXABLE SERIES 2007-B

COSTS OF ISSUANCE

Bond Counsel	$48,765.00
Underwriter's Counsel	25,000.00
Trustee and Counsel	7,500.00
Moody's Investors Service	15,000.00
Standard & Poor's	16,000.00
Printing of Official Statement	10,000.00
Miscellaneous	10,000.00
Total:	$132,265.00

FINAL

$30,320,000.00

Pima County, Arizona

Certificates of Participation

Series 2007A & Taxable Series 2007B

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
07/01/2007	-	-	-	-
07/01/2008	1,245,000.00	5.220%	1,666,598.50	2,911,598.50
07/01/2009	1,545,000.00	4.209%	1,363,524.00	2,908,524.00
07/01/2010	1,610,000.00	4.000%	1,298,500.00	2,908,500.00
07/01/2011	1,675,000.00	4.000%	1,234,100.00	2,909,100.00
07/01/2012	1,740,000.00	4.000%	1,167,100.00	2,907,100.00
07/01/2013	1,810,000.00	4.250%	1,097,500.00	2,907,500.00
07/01/2014	1,890,000.00	4.250%	1,020,575.00	2,910,575.00
07/01/2015	1,970,000.00	5.000%	940,250.00	2,910,250.00
07/01/2016	2,065,000.00	5.000%	841,750.00	2,906,750.00
07/01/2017	2,170,000.00	5.000%	738,500.00	2,908,500.00
07/01/2018	2,280,000.00	5.000%	630,000.00	2,910,000.00
07/01/2019	2,395,000.00	5.000%	516,000.00	2,911,000.00
07/01/2020	2,515,000.00	5.000%	396,250.00	2,911,250.00
07/01/2021	2,640,000.00	5.000%	270,500.00	2,910,500.00
07/01/2022	2,770,000.00	5.000%	138,500.00	2,908,500.00
Total	**$30,320,000.00**	-	**$13,319,647.50**	**$43,639,647.50**

Form **8038-G** (Rev. November 2000) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate Instructions.

Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If **Amended Return,** check here ▶ ☐

1 Issuer's name: **Pima County, Arizona**

2 Issuer's employer identification number: **86 : 6000543**

3 Number and street (or P.O. box if mail is not delivered to street address): **130 West Congress, 10th Floor** — Room/suite:

4 Report number: **3 04**

5 City, town, or post office, state, and ZIP code: **Tucson, Arizona 85701**

6 Date of issue: **5/1/2007**

7 Name of issue: **Certificates of Participation (Justice Building Project), Series 2007-A**

8 CUSIP number: **721664 CH1**

9 Name and title of officer or legal representative whom the IRS may call for more information: **Thomas Burke, Finance and Risk Management Director**

10 Telephone number of officer or legal representative: **(520) 740-3030**

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☑ Other. Describe ▶ **Various county governmental functions**	18	30,192,246.55

19 If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐

20 If obligations are in the form of a lease or installment sale, check box ▶ ☐

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	July 1, 2022	$30,192,246.55	$28,765,000.00	9.561 years	4.13564 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	30,192,246.55
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	497,995.18		
25	Proceeds used for credit enhancement	25	132,221.17		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	630,216.35
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	29,562,030.20

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ N/A years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ N/A years

33 Enter the last date on which the refunded bonds will be called ▶

34 Enter the date(s) the refunded bonds were issued ▶ N/A

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	N/A
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	N/A
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	N/A

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ _____ and the date of the issue ▶

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Thomas Burke — 5/1/2007

Signature of issuer's authorized representative — Date

Thomas Burke, Finance and Risk Mngt Director

Type or print name and title

For Paperwork Reduction Act Notice, see page 2 of the Instructions.

Cat. No. 63773S Form **8038-G** (Rev. 11-2000)

OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: See "Ratings" herein

In the opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, the portion of the Lease Payments paid and denominated as interest under the Lease and received by the owners of the related 2007-A Certificates (the "2007-A Interest Portion") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the 2007-A Interest Portion is exempt from Arizona state income tax. Special Counsel expresses no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2007 Certificates in the event of termination of the Lease by nonappropriation. The 2007-A Interest Portion may be subject to certain federal taxes imposed only on certain corporations, including the alternative minimum tax on a portion of the 2007-A Interest Portion. Special Counsel will express no opinion with respect to the exclusion of interest relating to the 2007-B Certificates. For a more complete discussion of tax aspects, see "TAX MATTERS" herein.

$28,765,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2007-A

$1,555,000
CERTIFICATES OF PARTICIPATION
(JUSTICE BUILDING PROJECT)
Evidencing a Proportionate Interest of Owners thereof in Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
TAXABLE SERIES 2007-B

Dated: May 1, 2007

Due: July 1, as shown on inside front cover

The securities being offered hereby consist of Certificates of Participation (Justice Building Project), Series 2007-A (the "2007-A Certificates") and Certificates of Participation (Justice Building Project), Taxable Series 2007-B (the "Taxable 2007-B Certificates" and, together with the 2007-A Certificates, the "2007 Certificates") in a Lease-Purchase Agreement, dated as of May 1, 2007* (the "Lease"), between U.S. Bank National Association, as trustee under the below described Trust Agreement, as lessor, and Pima County, Arizona, as lessee (the "County"). The 2007 Certificates are being executed and delivered under a Trust Agreement, dated as of May 1, 2007 (the "Trust Agreement") between U.S. Bank National Association, as trustee (the "Trustee"), and the County. Initially, the 2007 Certificates will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2007 Certificates. Purchases of beneficial interest in the 2007 Certificates will be made in book-entry-only form in amounts of $5,000 of principal maturing on a specified date or any integral multiple thereof. Purchasers will not receive certificates representing the ownership interest in the 2007 Certificates purchased by them. See Appendix G – "BOOK-ENTRY-ONLY SYSTEM."

Interest with respect to the 2007 Certificates is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2008, until maturity or prior redemption, and principal with respect to the 2007 Certificates is payable annually in accordance with the schedules set forth on the inside front cover. So long as the 2007 Certificates are registered in the name of DTC, or its nominee, payments of the principal and interest with respect to the 2007 Certificates will be made directly by the Trustee to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the 2007 Certificates, as described herein.

The 2007 Certificates are subject to optional and extraordinary redemption prior to maturity as more fully described herein. See "THE 2007 CERTIFICATES--Redemption Provisions" herein.

The 2007 Certificates are being executed and delivered to (i) acquire and make improvements to an existing office tower and underlying site, located in the City of Tucson, Arizona, for use primarily by criminal justice personnel of the County (the "Leased Property") and acquire and construct replacement facilities for the County's Community Services Department on a site owned by the County and located in the City of South Tucson, Arizona, which is not part of the Leased Property, and (ii) pay costs associated with the execution and delivery of the 2007 Certificates. See "PLAN OF FINANCE" herein.

The 2007 Certificates evidence and represent undivided and proportionate interests of the registered Owners thereof in semiannual lease payments (the "Lease Payments") to be made by the County pursuant to the Lease. **The obligations of the County under the Lease are payable exclusively from annually appropriated funds and are not a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each fiscal year, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. Upon such termination, there is no assurance of payment of the principal or interest represented by the Certificates, including the 2007 Certificates, from funds available under the Trust Agreement as a result of the Trustee's re-leasing of the Leased Property.** See "SOURCES OF PAYMENT OF THE 2007 CERTIFICATES" and "SECURITY FOR THE 2007 CERTIFICATES" herein.

The 2007 Certificates are payable solely from Lease Payments required to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make Lease Payments under the Lease is not secured by a pledge of any funds, does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation nor constitute a general obligation of the County nor an indebtedness of the County, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Payment of the principal and interest represented by the 2007 Certificates, when due, will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2007 Certificates.

Ambac

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2007 Certificates are offered when, as and if certain conditions are satisfied and subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Special Counsel. Certain legal matters will be passed upon solely for the benefit of the Underwriter by its counsel, Greenberg Traurig, LLP. It is expected that the 2007 Certificates will be available for delivery through the facilities of DTC, on or about May 1, 2007.

RBC CAPITAL MARKETS

April 18, 2007

SQUIRE SANDERS LEGAL COUNSEL WORLDWIDE

SQUIRE, SANDERS & DEMPSEY L.L.P.
Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, Arizona 85004-4498

Office: +1.602.528.4000
Fax: +1.602.253.8129

Direct: +1.602.528.4031
tpickrell@ssd.com

May 3, 2007

Via Certified Mail
Return Receipt Requested

Arizona Department of Revenue
Attention: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007

Re: Pima County, Arizona
Certificates of Participation (Justice Building Project), Series 2007-A

Ladies and Gentlemen:

On behalf of Pima County, Arizona, enclosed is the Report of Bond and Security Issuance Pursuant to A.R.S. §35-501B for the above-referenced financing.

Sincerely,

Timothy E. Pickrell

TEP:jer
Enclosure

396205 1

7003 2260 0003 0952 4894

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	$ 4.20
Certified Fee	2.40
Return Reciept Fee (Endorsement Required)	1.85
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$ 8.45

Postmark Here

PHOENIX AZ 85020 MAY -3 2007

Sent To

Street, Apt. No.; or PO Box No.

City, State, ZIP+4

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Arizona Dept. of Revenue
Attn: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007

COMPLETE THIS SECTION ON DELIVERY

A. Signature: X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

Arizona Dept of Revenue
MAY 07 2007

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7003 2260 0003 0952 4894

PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1540

AFFIDAVIT OF MAILING

STATE OF ARIZONA)
) ss:
County of Maricopa)

I, Timothy E. Pickrell, being first duly sworn upon my oath, depose and say that I delivered to the United States Postal Service on the 3rd day of May, 2007, an envelope containing the Report of Bond and Security Issuance Pursuant to A.R.S. §35-501B, with respect to Pima County, Arizona Certificates of Participation (Justice Building Project), Series 2007-A, postage prepaid, certified mail (Certified Number 7003 2260 0003 0952 4894), return receipt requested, addressed as follows:

Arizona Department of Revenue
Attention: OERA, 9th Floor
1600 W. Monroe
Phoenix, AZ 85007

Timothy E. Pickrell

SUBSCRIBED AND SWORN to before me this 3rd day of May, 2007.

Notary Public

My Commission Expires:
August 15, 2008

OFFICIAL SEAL
JEAN E. REYNOLDS
NOTARY PUBLIC-ARIZONA
PIMA COUNTY
My Comm. Expires Aug. 15, 2008

RBC Capital Markets

FINAL

SETTLEMENT, DELIVERY & CLOSING PROCEDURES

ISSUE:

$30,320,000
Pima County, Arizona
Certificates of Participation
(Justice Building Project)
Series 2007-A & Taxable Series 2007-B

CERTIFICATES DATED:

May 1, 2007

INTEREST PAYMENT DATES:

Interest on the Certificates is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2008.

MATURITY DATES, CUSIPS, PRINCIPAL AMOUNTS, INTEREST RATES:

See attached Exhibit A-1 and A-2.

PRE-CLOSING:

The pre-closing will be held on **Monday, April 30, 2007** at 2:00 p.m. (MST) in the conference room of the Pima County Finance and Risk Management Department, 130 West Congress Street, 7th Floor, Tucson, Arizona 85701.

CLOSING:

The closing will be held on **Tuesday, May 1, 2007** at 8:00 a.m. (MST) in the conference room of the Pima County Finance and Risk Management Department, 130 West Congress Street, 7th Floor, Tucson, Arizona 85701. Mr. Timothy Pickrell will conduct the closing.

PARTICIPANTS:

See attached Exhibit B.

REGISTRATION AND AUTHENTICATION:

After the Certificates have been registered and authenticated, U.S. Bank National Association will confirm arrangements for a F.A.S.T. closing with The Depository Trust Company (DTC), 55 Water Street, 1st Floor, New York, New York 10041.

SETTLEMENT INSTRUCTIONS:

(1) Purchase Price of the Obligations:

Par Value @ 100	$30,320,000.00
Plus: Original Issue Premium	1,427,246.55
Less: Underwriter's Discount	(409,320.00)
Amount due at Closing	**$31,337,926.55**

(2) On the day of closing, RBC Capital Markets, will initiate the following wire transfers:

(A) **$137,464.89** - representing the Financial Guaranty Insurance Premium will be wire transferred on the day of closing in federal or immediately available funds to: Citibank, N.A., ABA# 021-0000-89, For: Ambac Assurance Corporation, Account # 40609486, Ambac Policy # 2654BE, Contact: Tanisha Richardson (212) 208-3311.

(B) **$31,200,461.66** - representing the amount necessary to deposit to the Project Fund and the Delivery Costs Fund will be wire transferred on the day of closing in federal or immediately available funds to: U.S. Bank, ABA # 091000022, 60 Livingston Ave., St. Paul, MN 55107, U.S. Bank A/C # 180121167365, Ref: CDR-LA Pima County AZ COP, Series 2007A & 2007B, Attention: Merla Tomas (213) 615-6050.

(3) The funds received by U.S. Bank (in 2-B above) will be distributed as follows: **$24,928,743.50** will be deposited into the Justice Building Account of the Project Fund. **$138,431.46** will be deposited into the Delivery Costs Fund. **$4,633,286.70** will be deposited into the Improvements Account of the Project Fund. **$1,500,000.00** will be deposited into the Community Services Department Facilities Account of the Project Fund.

(4) The **$24,928,743.50** deposited into the Justice Building Account of the Project Fund in (3) above will be wire transferred to TICOR Title Agency as follows:

Wells Fargo Bank Arizona, N.A.
ABA #121000248
100 West Washington Street, Phoenix, Arizona 85003
TICOR Title Agency of Arizona, Inc.
Escrow Trust Account
Account # 0529787160
Credit Escrow #: 71102620-KM
Client Name: PIMA COUNTY
Escrow Officer: Kim Moss

When all parties are satisfied that all monies have been transferred and that all documentation is in order, Bond Counsel will direct U.S. Bank National Association to authorize The Depository Trust Company at (212) 855-3752 to release the Certificates to RBC Capital Markets.

EXHIBIT A-1

$28,765,000
Pima County, Arizona
Certificates of Participation
(Justice Building Project)
Series 2007-A

Dated: 5/1/2007 **Delivery:** 5/1/2007

Date	Principal (a)	Coupon	Interest	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721664)
5/1/2007						
1/1/2008			$898,600	$898,600		
7/1/2008			673,950	673,950	$1,572,550	
1/1/2009			673,950	673,950		
7/1/2009	$1,235,000	4.00%	673,950	1,908,950	2,582,900	BU 3
1/1/2010			649,250	649,250		
7/1/2010	1,610,000	4.00%	649,250	2,259,250	2,908,500	BV 1
1/1/2011			617,050	617,050		
7/1/2011	1,675,000	4.00%	617,050	2,292,050	2,909,100	BW 9
1/1/2012			583,550	583,550		
7/1/2012	1,740,000	4.00%	583,550	2,323,550	2,907,100	BX 7
1/1/2013			548,750	548,750		
7/1/2013	1,810,000	4.25%	548,750	2,358,750	2,907,500	BY 5
1/1/2014			510,288	510,288		
7/1/2014	1,890,000	4.25%	510,288	2,400,288	2,910,575	BZ 2
1/1/2015			470,125	470,125		
7/1/2015	1,970,000	5.00%	470,125	2,440,125	2,910,250	CA 6
1/1/2016			420,875	420,875		
7/1/2016	2,065,000	5.00%	420,875	2,485,875	2,906,750	CB 4
1/1/2017			369,250	369,250		
7/1/2017	2,170,000	5.00%	369,250	2,539,250	2,908,500	CC 2
1/1/2018			315,000	315,000		
7/1/2018	2,280,000	5.00%	315,000	2,595,000	2,910,000	CD 0
1/1/2019			258,000	258,000		
7/1/2019	2,395,000	5.00%	258,000	2,653,000	2,911,000	CE 8
1/1/2020			198,125	198,125		
7/1/2020	2,515,000	5.00%	198,125	2,713,125	2,911,250	CF 5
1/1/2021			135,250	135,250		
7/1/2021	2,640,000	5.00%	135,250	2,775,250	2,910,500	CG 3
1/1/2022			69,250	69,250		
7/1/2022	2,770,000	5.00%	69,250	2,839,250	2,908,500	CH 1
Total	$28,765,000		$13,209,975	$41,974,975	$41,974,975	

(a) The Series 2007-A Certificates maturing on or after July 1, 2018 are subject to optional redemption on or after July 1, 2017 at par.

-Prepared By-
RBC Capital Markets
4/25/2007

EXHIBIT A-2

$1,555,000
Pima County, Arizona
Certificates of Participation
(Justice Building Project)
Taxable Series 2007-B

Dated: **5/1/2007** **Delivery: 5/1/2007**

Date	Principal (a)	Coupon	Interest	Total Debt Service	Fiscal Year Debt Service	CUSIP # (721664)
5/1/2007						
1/1/2008			$53,742	$53,742		
7/1/2008	$1,245,000	5.22%	40,307	1,285,307	$1,339,049	CJ 7
1/1/2009			7,812	7,812		
7/1/2009	310,000	5.04%	7,812	317,812	325,624	CK 4
Total	$1,555,000		$109,673	$1,664,673	$1,664,673	

(a) The Series 2007-B Certificates are not subject to optional redemption prior to maturity.

-Prepared By-
RBC Capital Markets
4/25/2007

EXHIBIT B

$30,320,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICPATION, SERIES 2007-A & TAXABLE SERIES 2007-B
DISTRIBUTION LIST

PIMA COUNTY

Finance and Risk Management Department
130 West Congress, 10th Floor
Tucson, AZ 85701
Fax: (520) 740-8171

Tom Burke
Finance Director
(520) 740-3030
e-mail: tom.burke@pima.gov

Finance and Risk Management Department
130 West Congress, 6th Floor
Tucson, AZ 85701
Fax: (520) 243-2329

Michelle Campagne
(520) 740-8410
e-mail: michelle.campagne@pima.gov

County Attorney's Office
130 West Congress
Tucson, Arizona 85701

Regina Nassen
(520) 740-5411
e-mail: regina.nassen@pcao.pima.gov

BOND COUNSEL

Squire, Sanders & Dempsey L.L.P.
Two Renaissance Square, Suite 2700
40 North Central Avenue
Phoenix, AZ 85004-4498
Fax: (602) 253-8129

Timothy E. Pickrell
P: (602) 528-4031
C: (602) 617-9260
e-mail: tpickrell@ssd.com

UNDERWRITER

RBC Capital Markets
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016
Fax: (602) 381-5380

Kurt M. Freund
Managing Director/Manager
(602) 381-5365
e-mail: kurt.freund@rbcdain.com

Nicholas J. Dodd
Vice President
(602) 381-5360
e-mail: nick.dodd@rbcdain.com

RATING AGENCIES

Moody's Investors Service
One Front Street, Suite 1900
San Francisco, CA 94111
Fax: (415) 274-1726

Matt Jones
(415) 274-1735
e-mail: jonesm@moodys.com

Dan Steed
(415) 274-1716
e-mail: dan.steed@moodys.com

Standard & Poor's Corporation
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