

**\$19,967,331**  
**PIMA COUNTY, ARIZONA**  
**WATER INFRASTRUCTURE AUTHORITY OF ARIZONA**  
**SEWER REVENUE LOAN**  
**(COMPRISING \$18,015,219 LOAN DATED MAY 11, 2004 AND**  
**\$1,952,112 LOAN AMENDMENT DATED SEPTEMBER 1, 2005)**

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**DOCUMENTS LIST**

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TERMS USED HEREIN

County	-	Pima County, Arizona
Authority	-	Water Infrastructure Finance Authority of Arizona
Paying Agent	-	J.P. Morgan Trust Company, National Association
Special Counsel	-	Squire, Sanders & Dempsey L.L.P.

TAB

1. Certified copy of Resolution No, 2004-57, passed, adopted and approved by the Board of Supervisors of the County on March 9, 2004, authorizing the execution and delivery of the Loan Agreement, dated as of May 11, 2004 (the "2004 Loan Agreement"), between the County and the Authority
2. Certified copy of Resolution No. 2005-81, passed, adopted and approved by the Board of Supervisors of the County on April 5, 2005, authorizing the execution and delivery of Amendment No. 1 to Loan Agreement, dated as of September 1, 2005 (the "2005 Loan Agreement Amendment" and, together with the 2004 Loan Agreement, the "Loan Agreement"), between the County and the Authority
3. 2004 Loan Agreement
4. 2005 Loan Agreement Amendment
5. Loan Agreement Standard Terms and Conditions
6. 2004 Agreement Regarding Reserve Fund Guaranties, between the County and the Paying Agent

7. 2005 Agreement Regarding Reserve Fund Guaranties, between the County and the Paying Agent
8. General Certificate of the County, dated May 11, 2004
9. Supplemental General Certificate, dated September 1, 2005
10. Closing Certificate of the County Regarding Sewer Revenue Bond Resolution, dated May 11, 2004
11. Supplemental Closing Certificate of the County Regarding Sewer Revenue Bond Resolution, dated September 1, 2005
12. Tax Compliance Certificate of Local Borrower, dated May 11, 2004
13. Supplemental Tax Compliance Certificate of Local Borrower, dated September 1, 2005
14. Opinion of Special Counsel to the County, dated May 11, 2004
15. Supplemental Opinion of Special Counsel to the County, dated September 1, 2005
16. Opinion of Pima County Attorney's Office, dated May 11, 2004
17. Supplemental Opinion of Pima County Attorney's Office, dated September 1, 2005
18. State of Arizona Bond/Security Report, dated May 11, 2004
19. Supplemental State of Arizona Bond/Security Report, dated September 1, 2005
20. Certified copies of Resolution Nos. 1991-138 and 1991-182, containing sewer bond covenants
21. Resolutions of the Authority authorizing the loan and necessary documents

DISTRIBUTION OF TRANSCRIPTS

County Finance Department	1
County Wastewater Department	1
Authority	1
Paying Agent	1
RBC Dain Rauscher Inc.	1
Special Counsel	1

# Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona  
County of Pima

*I, Lori Godoshian, the duly appointed, and qualified,  
Clerk of the Board of Supervisors of Pima County, Arizona, hereby  
certify that the following is a true, correct, and compared extract of the  
minutes of a meeting of the Board of Supervisors held on the  
\_\_\_\_\_ 9TH \_\_\_\_\_ day of \_\_\_\_\_ MARCH \_\_\_\_\_, 2004, and that a quorum  
was present thereat.*

29. **COUNTY ADMINISTRATOR: WATER INFRASTRUCTURE FINANCE  
AUTHORITY**

RESOLUTION NO. 2004 - 57, of the Board of Supervisors of Pima County providing for the financing of certain sewer system improvements and facilities through loan agreements with the Water Infrastructure Finance Authority of Arizona; approving and directing the execution and delivery of one or more loan agreements or amendments to existing loan agreements and the execution and delivery of other documents and agreements in connection therewith; providing for other related matters; and declaring an emergency.

On consideration, it was moved by Supervisor Valadez, seconded by Supervisor Elías, and carried by a four to one vote, Supervisor Day voting "Nay," to close the public hearing and to pass and adopt Resolution No. 2004 - 57.

*In Witness Whereof, I have hereunto set my hand and  
affixed the seal of the Board of Supervisors of Pima County,  
Arizona, this \_\_\_\_\_ 5TH \_\_\_\_\_ day of \_\_\_\_\_ MAY \_\_\_\_\_, 2004.*

*Lori Godoshian*  
Clerk

**RESOLUTION 2004- 57**

**RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY PROVIDING FOR THE FINANCING OF CERTAIN SEWER SYSTEM IMPROVEMENTS AND FACILITIES THROUGH LOAN AGREEMENTS WITH THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA; APPROVING AND DIRECTING THE EXECUTION AND DELIVERY OF ONE OR MORE LOAN AGREEMENTS OR AMENDMENTS TO EXISTING LOAN AGREEMENTS AND THE EXECUTION AND DELIVERY OF OTHER DOCUMENTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR OTHER RELATED MATTERS; AND DECLARING AN EMERGENCY.**

WHEREAS, pursuant to authority of Title 11, Article 4, Arizona Revised Statutes, Pima County, Arizona ("Pima County") operates a sewer system (the "System"); and

WHEREAS, by Resolution No. 1991-138, as supplemented and amended (the "Sewer Revenue Bond Resolution"), Pima County has issued from time to time sewer revenue bonds which are payable from the "Net Revenues" (as defined in the Sewer Revenue Bond Resolution) of the System; and

WHEREAS, on May 20, 1997, the qualified electors of Pima County authorized the issuance of \$105,000,000 sewer revenue bonds for the purpose of making improvements and extensions to the System (the "1997 Authorization"); and

WHEREAS, Pima County now wishes to allocate not exceeding \$20,000,000 of 1997 Authorization to finance one or more additional improvements and facilities for the System, as generally described on Exhibit A hereto attached (collectively, the "Projects"); and

WHEREAS, Pima County has determined that the Projects can be financed on advantageous terms through one or more loans from the Water Infrastructure Finance Authority of Arizona (the "Authority") pursuant to Section 11-671, Arizona Revised Statutes; and

WHEREAS, such loan or loans would be evidenced by the execution and delivery of one or more loan agreements (each a "Loan Agreement" and, collectively, the "Loan Agreements") between Pima County and the Authority, or by amendments to one or more existing Loan Agreements ("Loan Agreement Amendments" and, together with the Loan Agreements, the "Agreements")

WHEREAS, there has been placed on file with the Clerk of the Board of Supervisors and presented to this Board at this meeting proposed forms of Agreements:

NOW THEREFORE, BE IT RESOLVED by the Board of Supervisors of Pima County, Arizona, as follows:

Section 1. The Board of Supervisors hereby finds and determines that it will be beneficial to the citizens of Pima County for Pima County to enter into and perform one or more Agreements and other associated agreements with the Authority whereby Pima County will borrow not to exceed \$20,000,000 from the Authority to provide for financing the Projects and

authorizes the payment of all costs, necessary premiums and commissions, legal, financial, and contingent costs of Pima County, including, without limitation, making deposits into reserve funds in connection with such loan or purchasing a Reserve Fund Guaranty (as defined in the Agreements) for such purpose, and to pay certain costs of the Authority pursuant to the Agreements, all of which is found in furtherance of the purposes of Pima County and its citizens and in the public interest.

**Section 2.** The form, terms and provisions of Agreements, in substantially the form of such documents (including exhibits thereto) presented at this meeting, and with such insertions, omissions and changes, including any changes required by the Authority or its bond insurer, not inconsistent with the prior resolutions of this Board providing for the issuance of its sewer revenue bonds, the requirements of the federal government, the requirements of the Authority and this Resolution, as such shall be approved by the Chair of the Board. The execution of such document or documents shall be conclusive evidence of such approval, and the Chair of the Board and the Clerk of this Board of Supervisors are hereby authorized and directed, for and on behalf of Pima County, to sign and attest any and all Agreements. Additionally, the Chair and/or the Clerk of the Board of Supervisors are hereby authorized and directed for and on behalf of Pima County, to sign and attest all other agreements, documents or certificates made in connection with the financing of sewer system improvements and facilities. The Chair of the Board of Supervisors is further authorized and directed to complete all exhibits attached to any of the agreements heretofore authorized to be executed and delivered on behalf of Pima County, to insert all needed data to complete in full all such documents in order to complete the loan or loans from the Authority; provided, however, that the total "eligible project costs" and the principal amount of the loan or loans shall not exceed, in the aggregate, \$20,000,000, the loan repayment schedule with respect to each Agreement shall end on a date not later than twenty-five (25) years from its date, and delivery of the Agreements shall be structured to be consistent with the expected Net Revenues of the System, and the stated interest rate shall not exceed 7.00% per annum.

**Section 3.** For the payment of the principal, premium, if any, and the interest on the loan represented by the Agreements, Pima County agrees to transfer the loan repayments as provided for in the Agreements. Pima County further agrees to pay all other amounts required to be paid by Pima County pursuant to the provisions of the Agreements and related documents as additional interest on the Agreements.

**Section 4.** The obligation of Pima County to make the loan repayments provided for in the Agreements is limited to payment from the sources of revenues pledged therefor, the Net Revenues of the System (as defined in the Agreements) and further such payments shall be made on a parity with the obligations of Pima County to its outstanding and future sewer revenue bond holders, subject to the prior rights of the owners of certain bonds heretofore refunded as provided in the Sewer Revenue Bond Resolution. The Agreements shall not constitute nor give rise to a general obligation of Pima County or any claim against its general or special taxing powers, or constitute an indebtedness within the meaning of any statutory or constitutional debt limit applicable to Pima County.

**Section 5.** The Chair of the Board of Supervisors or the County Administrator or either of their designees is hereby authorized to negotiate with providers of Reserve Fund

Guaranties (as defined in the Sewer Revenue Bond Resolution), and if a Reserve Fund Guaranty is obtained and deposited in the Reserve Fund (as defined in the Sewer Revenue Bond Resolution), any one or more officers of Pima County are each hereby authorized to complete, execute and deliver, on behalf of Pima County, appropriate agreements with the Reserve Fund Guarantor and/or designees of the Authority with provisions concerning, without limitation, any of the following: (i) the terms of the Reserve Fund Guaranty and the premium to be paid for it, (ii) procedures for payments under the Reserve Fund Guaranty and reimbursement of amounts advanced, (iii) subrogation rights in the event of payment under the Reserve Fund Guaranty, (iv) remedies, and (v) notices and providing of information.

**Section 6.** The appropriate officials and officers of Pima County are hereby authorized and directed to take all actions necessary or reasonably required by the parties to the Agreements or any other agreement to carry out, give effect to and to consummate the transactions contemplated herein and in such agreements, including, without limitation, the execution and delivery of any closing and other documents reasonably required to be delivered in connection therewith or in connection with bonds issued by the Authority to fund the Authority's obligations under the Agreements.

**Section 7.** After the execution and delivery of any Agreements and upon receipt of the full amount of each loan represented thereby, this Resolution shall be and remain irrevocable until such loan and the related Agreements and interest thereon shall have been fully paid, cancelled and discharged. Except as provided in the Agreements, no obligation of Pima County shall survive the full payment and discharge of the Agreements.

**Section 8.** If any section, paragraph, clause or provision of this Resolution shall be for any reason invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions hereof.

**Section 9.** All ordinances and resolutions or parts thereof, except Resolution 1991-138, as amended, and all other resolutions authorizing the issuance of bonds on a parity with the bonds issued pursuant to Resolution 1991-138, as amended, are hereby waived to the extent of any inconsistency. This waiver shall not be construed as reviving any ordinance or resolution or any part thereof which was amended or repealed by any ordinance or resolution the provisions of which are hereby waived.

**Section 10. Emergency.** It is necessary to utilize an emergency clause with this Resolution in order to complete the loan or loans represented by the Agreements at the earliest practicable date, thereby committing the Authority and transferring the market risk of changes in interest rate levels from Pima County to the Authority.

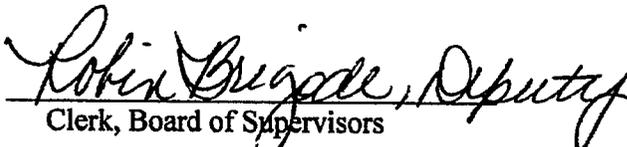
WHEREAS, the immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety of Pima County, an emergency is hereby declared to exist, and this Resolution is enacted as an emergency measure and will be in full force and effect from and after its passage, adoption and approval by the Board of Supervisors of Pima County, and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

Passed and adopted March 9, 2004.

PIMA COUNTY, ARIZONA

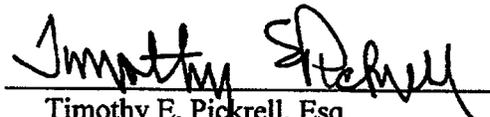
By:   
Chair, Board of Supervisors  
MAR 09 2004

Attest:

By:   
Clerk, Board of Supervisors  
MAR 09 2004

Approved as to form:

SNELL & WILMER L.L.P.,  
as Special Counsel

By:   
Timothy E. Pickrell, Esq.

**EXHIBIT A**

<b><u>Project</u></b>	<b><u>Description</u></b>	<b><u>Estimated Cost</u></b>
<i>Reimbursement</i>		
Santa Cruz Interceptor, Prince--Franklin Tanque Verde, Craycroft—	Expansion and Improvements	\$ 615,556
Tucson Country Club Marana WWTF (1mgd)	Expansion and Improvements	115,217
Randolph WRF	Expansion	35,388
	Improvements	<u>15,236,510</u>
	Subtotal	<u>\$16,002,671</u>
<i>Future Costs</i>		
Santa Cruz Interceptor, Prince--Franklin Marana WWTF (1mgd)	Expansion and Improvements	\$1,462,548
	Expansion	<u>550,000</u>
	Subtotal	<u>\$2,012,548</u>
	Total	<u>\$18,015,219</u>

AGENDA, BOARD OF SUPERVISORS' MEETING

BOARD OF SUPERVISORS HEARING ROOM

130 W. CONGRESS, 1ST FLOOR

MARCH 9, 2004 9:00 A.M.

1. ROLL CALL
2. INVOCATION
3. PLEDGE OF ALLEGIANCE
4. PAUSE 4 PAWS
- ... EXECUTIVE SESSIONS

NEW BUSINESS

17. COUNTY ADMINISTRATOR

B. Water Infrastructure Finance Authority

RESOLUTION NO. 2004 - 57, of the Board of Supervisors of Pima County providing for the financing of certain sewer system improvements and facilities through loan agreements with the Water Infrastructure Finance Authority of Arizona; approving and directing the execution and delivery of one or more loan agreements or amendments to existing loan agreements and the execution and delivery of other documents and agreements in connection therewith; providing for other related matters; and declaring an emergency.

18. CALL TO THE PUBLIC
19. ADJOURNMENT

# 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. 2005- 81**

(See attached pages 1-4)

*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 5th day of April, 2005, 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 2nd day of September, 2005.*

*Lori Godoshian*  
Clerk

**RESOLUTION 2005-81**

**RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, PROVIDING FOR THE FINANCING OF CERTAIN SEWER SYSTEM IMPROVEMENTS AND FACILITIES THROUGH A LOAN AGREEMENT WITH THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA; APPROVING AND DIRECTING THE EXECUTION AND DELIVERY OF AN AMENDMENT TO AN EXISTING LOAN AGREEMENT OR A NEW LOAN AGREEMENT AND THE DELIVERY OF OTHER DOCUMENTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR OTHER RELATED MATTERS; AND DECLARING AN EMERGENCY.**

WHEREAS, pursuant to the authority granted in Title 11, Article 4, Arizona Revised Statutes, Pima County, Arizona ("Pima County") operates a sewer system (the "System"); and

WHEREAS, by Resolution No. 1991-138, as supplemented and amended (the "Sewer Revenue Bond Resolution"), Pima County has issued from time to time sewer revenue bonds which are payable from the "Net Revenues" (as defined in the Sewer Revenue Bond Resolution) of the System; and

WHEREAS, on May 20, 1997, the qualified electors of Pima County authorized the issuance of \$105,000,000 sewer revenue bonds for the purpose of making improvements and extensions to the System (the "1997 Authorization"); and

WHEREAS, in order to make improvements and extensions to the System, Pima County allocated \$18,015,219 of unused 1997 Authorization and entered into a Loan Agreement, dated as of May 11, 2004 (the "2004 Loan Agreement"), with the Water Infrastructure Finance Authority of Arizona (the "Authority") to finance certain costs of the projects described therein (the "Original Project Descriptions"); and

WHEREAS, the Authority has agreed to loan an additional \$1,952,112 to Pima County to make improvements and extensions to the System and to amend the Original Project Descriptions (the "Amended Project Descriptions") to reflect such additional improvements and extensions and to make adjustments to the Original Project Descriptions for the most expeditious use of loan proceeds thereunder; and

WHEREAS, it is desirable to amend the 2004 Loan Agreement and/or execute and deliver a new loan agreement with the Authority for such purposes and to allocate up to an additional \$1,952,112 of unused 1997 Authorization for such purposes; and

WHEREAS, there has been placed on file with the Clerk of the Board of Supervisors of Pima County (the "Board") and presented to the Board a copy of the 2004 Loan Agreement and a proposed form of amendment to the 2004 Loan Agreement (the "2005 Amendment") between Pima County and the Authority:

NOW THEREFORE, BE IT RESOLVED by the Board of Supervisors of Pima County, Arizona, as follows:

Section 1. For the purpose of borrowing an additional \$1,952,112 from the Authority to make improvements and extensions to the System and also for the purpose of reflecting the Amended Project Descriptions, this Board hereby authorizes and approves (i) an amendment to the 2004 Loan Agreement in substantially the form of the 2005 Amendment, and/or (ii) a new Loan Agreement with the Authority in substantially the form and with provisions comparable to those in the 2004 Loan Agreement (the 2004 Loan Agreement, together with the 2005 Amendment, are referred to herein as the "2005 Agreements"). The form, terms and provisions of the 2005 Agreements are hereby approved, in substantially the forms on file with the Clerk of the Board, with such insertions, omissions and changes as are approved by the Chair of the Board. The execution of such document or documents shall be conclusive evidence of such approval, and the Chair of the Board and the Clerk of the Board are hereby authorized and directed, for and on behalf of Pima County, to sign and attest such documents. Additionally, the Chair and/or the Clerk of the Board are hereby authorized and directed for and on behalf of Pima County, to sign and attest all other agreements, documents or certificates made in connection with financing the sewer system improvements and facilities. The Chair of the Board is further authorized and directed to complete all exhibits attached to any of the agreements heretofore authorized to be executed and delivered on behalf of Pima County, to insert all needed data to complete in full all such documents to complete the loan from the Authority; provided, however, that the total "eligible project costs" and the principal amount of the loans represented under the 2004 Loan Agreement and the 2005 Agreements shall not exceed \$19,967,331, the loan repayment schedule shall end on a date not later than July 1, 2024 and the stated interest rate shall not exceed 7.00% per annum.

The Board hereby finds and determines that it will be beneficial to the citizens of Pima County for Pima County to enter into and perform the 2005 Agreements, and other associated agreements with the Authority whereby Pima County will borrow not to exceed \$1,952,112 additional funds from the Authority to provide for financing the Amended Project Descriptions and to pay all costs, necessary premiums and commissions, legal, financial, and contingent costs of Pima County, including, without limitation, making deposits into reserve funds in connection with such loan or purchasing a Reserve Fund Guaranty (as defined in the Sewer Revenue Bond Resolution) for such purpose, and to pay certain costs of the Authority pursuant to the 2005 Agreements, all of which is found in furtherance of the purposes of Pima County and its citizens and in the public interest.

Section 2. For the payment of the principal, premium, if any, and the interest on the loan represented by the 2005 Agreements, Pima County agrees to transfer the loan repayments as provided for in the 2005 Agreements. Pima County further agrees to pay all other amounts required to be paid by Pima County pursuant to the provisions of the 2005 Agreements and the related documents as additional interest on the 2005 Agreements.

Section 3. The obligation of Pima County to make the loan repayments provided for in the 2005 Agreements is limited to payment from the sources of revenues pledged therefor, the Net Revenues of the System (as defined in the Sewer Revenue Bond Resolution) and such payments shall be made on a parity with the obligations of Pima County to its outstanding and

future sewer revenue bond holders, subject to the prior rights of the owners of certain bonds heretofore refunded as provided in the Sewer Revenue Bond Resolution. The 2005 Agreements shall not constitute nor give rise to a general obligation of Pima County or any claim against its general or special taxing powers, or constitute an indebtedness within the meaning of any statutory or constitutional debt limit applicable to Pima County.

Section 4. The Chair of the Board or the County Administrator or either of their designees is hereby authorized to negotiate with providers of Reserve Fund Guaranties, and if a Reserve Fund Guaranty is obtained and deposited in the Reserve Fund (as defined in the Sewer Revenue Bond Resolution), any one or more officers of Pima County are each hereby authorized to complete, execute and deliver, on behalf of Pima County, appropriate agreements with the Reserve Fund Guarantor (as defined in the Sewer Revenue Bond Resolution) and/or designees of the Authority with provisions concerning, without limitation, any of the following: (i) the terms of the Reserve Fund Guaranty and the premium to be paid for it, (ii) procedures for payments under the Reserve Fund Guaranty and reimbursement of amounts advanced, (iii) subrogation rights in the event of payment under the Reserve Fund Guaranty, (iv) remedies, and (v) notices and providing of information.

Section 5. The appropriate officials and officers of Pima County are hereby authorized and directed to take all actions necessary or reasonably required by the parties to the 2005 Agreements or any other agreement to carry out, give effect to and to consummate the transactions contemplated herein and in such agreements, including, without limitation, the execution and delivery of any closing and other documents reasonably required to be delivered in connection therewith or in connection with bonds issued by the Authority to fund the Authority's obligations under the 2005 Agreements.

Section 6. After the execution and delivery of the 2005 Agreements and upon receipt of the full amount of the loan, this Resolution shall be and remain irrevocable until the loan and the 2005 Agreements and interest thereon has been fully paid, cancelled and discharged. Except as provided in the 2005 Agreements, no obligation of Pima County shall survive the full payment and discharge of the loan agreement.

Section 7. If any section, paragraph, clause or provision of this Resolution is for any reason invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions hereof.

Section 8. All ordinances and resolutions or parts thereof, except Resolution 1991-138, as amended, and all other resolutions authorizing the issuance of bonds on a parity with the bonds issued pursuant to Resolution 1991-138, as amended, are hereby waived to the extent of any inconsistency. This waiver shall not be construed as reviving any ordinance or resolution or any part thereof which was amended or repealed by any ordinance or resolution the provisions of which are hereby waived.

Section 9. Emergency. It is necessary to utilize an emergency clause with this Resolution in order to complete the transaction represented by the 2005 Agreements at the earliest practicable date, thereby committing the Authority and transferring the market risk of changes in interest rate levels from Pima County to the Authority.

WHEREAS, the immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety of Pima 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 from and after its passage, adoption and approval by the Board of Pima County, and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

Passed and adopted April 5, 2005.

  
\_\_\_\_\_  
Chair, Board of Supervisors  
Pima County, Arizona

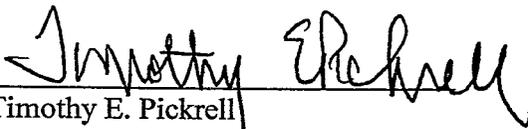
APR 05 2005

Attest:

  
\_\_\_\_\_  
Clerk, Board of Supervisors  
Pima County, Arizona

Approved as to form:

Squire, Sanders & Dempsey L.L.P., as Special Counsel

By:   
\_\_\_\_\_  
Timothy E. Pickrell

**AGENDA, BOARD OF SUPERVISORS' MEETING**

**BOARD OF SUPERVISORS' HEARING ROOM**

**130 W. CONGRESS, 1ST FLOOR**

**APRIL 5, 2005 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 possible legal action with respect to a contract dispute regarding the Procurement Department.
- B. Pursuant to A.R.S. §38-431.03 (A) (3) and (4), for legal advice and direction regarding possible settlement in U.S. Federal District Court, Case No. CIV04-103-TUC-DCB, Sewell v. Pima County.
- C. Pursuant to A.R.S. §38-431.03 (A) (3), for legal advice and discussion regarding the Brandi Fenton Memorial Park Agreement and Declaration of Covenants, Conditions and Restrictions.
- D. Pursuant to A.R.S. §38-431.03 (A) (3) and (4), for legal advice and direction regarding potential settlement of the matter pending in the U.S. Bankruptcy Court, Southern District of California, Case No. 03-03470, Leap Wireless International, Inc., et. al., v. Pima County.

**ADDENDUM, BOARD OF SUPERVISORS' MEETING**

**BOARD OF SUPERVISORS' HEARING ROOM**

**130 W. CONGRESS, 1ST FLOOR**

**APRIL 5, 2005 9:00 A.M.**

**1. PRESENTATIONS**

- A. Presentation to the Board of Supervisors for the Marvin M. Black Excellence in Partnering Award 2005 and the AGC Build America Merit Award, from Sundt Construction Company, in recognition of the excellence in team partnering and construction.
- B. Presentation by Bill Katzel on the "Platinum Challenge and the Conservation of Fantasy Island." Discussion/Action. (District 3)

**\* (CLERK'S NOTE:** Should be taken in conjunction with Regular Agenda Item No. 6.)

**\*2. COUNTY ADMINISTRATOR**

Widening of Interstate 10 between Prince Road and 29th Street by the Arizona Department of Transportation. Discussion/Direction/Action.

**3. CONTRACTS AND AWARDS**

**A. COMMUNITY SERVICES, EMPLOYMENT AND TRAINING**

JEM Management, Inc., Amendment No. 3, to provide consultation and marketing services, WIA and US DOL-H1B Grant Funds, contract amount \$5,000.00 (07-39-J-132243-0403)

**B. COUNTY ADMINISTRATOR**

Tucson Regional Economic Opportunity, Inc., to provide for economic development activities, Contingency Fund, contract amount \$118,708.00 (28-30-T-135920-0405)

C. NATURAL RESOURCES, PARKS AND RECREATION1. BRANDI FENTON MEMORIAL PARK

- a. Brandi Michelle Fenton Foundation, Inc., to provide goods, services or cash contributions for the development, design and construction of the Brandi Fenton Memorial Park, contract amount not to exceed \$1,500,000.00 revenue (11-05-F-135912-0405)
- b. Declaration of Covenants, Conditions and Restrictions Running with the Land

Declaration to confirm the park will be named and referred to exclusively as either the "Brandi Fenton Memorial Park" or "Brandi Fenton Memorial Park at Binghampton Historic District."

2. American Bicycle Association Foundation, to provide a lease agreement for the Winston Reynolds-Manzanita District Park to conduct and promote motocross bicycle racing for a five year period, contract amount \$1,000.00 revenue (04-05-A-234995-0904)
3. Tucson Audubon Society, to establish and operate a Nature Store within the premises of the main Administration Building at the Roy P. Drachman Agua Caliente Regional Park, contract amount \$4,800.00 revenue/two year contract (11-05-T-135921-0205)

D. WASTEWATER MANAGEMENT

RESOLUTION NO. 2005 - 78, for the following:

1. Approving an Intergovernmental Agreement with the Town of Marana, to provide for the funding and construction of a

sanitary sewer system for the Honea Heights Colonia, contract amount \$188,240.00 revenue (01-03-M-134898-0405)

2. Approving a grant agreement with the United States Department of Agriculture, Rural Utilities Service, to provide for the construction of a sanitary sewer system for the Honea Heights Colonia, Water and Waste System Grant Fund, contract amount \$990,000.00 revenue (01-03-A-135899-0405)

#### 4. FINANCE DEPARTMENT

- A. RESOLUTION NO. 2005 - 79, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed \$65,000,000.00 principal amount of Pima County, Arizona, General Obligation Bonds, Series 2005.
- B. RESOLUTION NO. 2005 - 80, of the Board of Supervisors of Pima County, Arizona, ordering the sale of not to exceed \$51,200,000.00 principal amount of Pima County, Arizona, Street and Highway Revenue Bonds, Series 2005.
- C. RESOLUTION NO. 2005 - 81, of the Board of Supervisors of Pima County, Arizona, providing for the financing of certain sewer system improvements and facilities through a loan agreement with the Water Infrastructure Finance Authority of Arizona; approving and directing the execution and delivery of an amendment to an existing loan agreement or a new loan agreement and the delivery of other documents and agreements in connection therewith; providing for other related matters; and declaring an emergency.

#### 5. BOARDS, COMMISSIONS AND/OR COMMITTEES

##### A. Board of Adjustment

Appointment of Rebecca McLean to fill unexpired term of Carol Klamerus. Term expiration: 8/31/05. (District 5)

B. State Board of Equalization

Reappointment of Andria K. Burke. Term  
expiration: 12/31/08. (District 1)

CLERK'S NOTE:

- A. Public discussion and action may occur on any executive or regular agenda item, and;
- B. Any backup material will be available for review twenty-four (24) hours before the meeting at the Clerk of the Board's Office.

POSTED: Levels A & B, 1st and 5th Floors, Pima County Administration Building.

DATE POSTED: 4/1/05

TIME POSTED: 1:00 P.M.

**LOAN AGREEMENT**

**Between**

**Water Infrastructure Finance Authority of Arizona**

**(the "Authority")**

**and**

**Pima County**

**(the "Local Borrower" or the "County")**

**Evidencing a Loan from the Authority to the Local Borrower**

**Dated as of May 11, 2004**

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## LOAN AGREEMENT

This Loan Agreement (this "Loan Agreement") is made and entered into as of May 11, 2004 by and between the WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (the "Authority"), and PIMA COUNTY, ARIZONA, (the "Local Borrower" or the "County"), a political subdivision of the State of Arizona.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and the Standard Terms and Conditions.

The Authority and the Local Borrower agree as follows:

### ARTICLE I DESCRIPTION OF THE LOAN

#### Section 1.01 Name and Address of Local Borrower.

Pima County  
130 West Congress, 7th Floor  
Tucson, Arizona 85701  
Attention: Director of Finance  
Telephone: (520) 740-8494  
Fax: (520) 740-8171

#### Section 1.02 Authorized Officer(s) of Local Borrower:

a) For Payment Requisitions:

Pima County  
130 West Congress, 7th Floor  
Tucson, Arizona 85701  
Attention: Director of Finance  
Telephone: (520) 740-8494  
Fax: (520) 740-8171

b) For all other matters:

Pima County  
130 West Congress, 10<sup>th</sup> Floor  
Tucson, Arizona 85701  
Attention: County Administrator  
Telephone: (520) 740-8661  
Fax: (520) 740-8171

Section 1.03 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or

certified mail, postage prepaid, to the Local Borrower at the address specified in Section 1.01 and to the Authority at the following address:

Water Infrastructure Finance Authority of Arizona  
Attention: Jay R. Spector, Executive Director  
1110 West Washington, Suite 290  
Phoenix, Arizona 85007  
Telephone: (602) 364-1310  
Fax: (602) 364-1327

Either of the parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the other party.

**Section 1.04 Loan Information.**

The terms of the Loan include the terms set forth in the Exhibits, which are part of this Loan Agreement:

- |                   |   |
|-------------------|---|
| <b>EXHIBIT A:</b> | <b>Section 1. Financial Assistance Terms and Conditions</b>       |
|                   | <b>Section 2. Borrower Payment Instructions</b>                   |
|                   | <b>Section 3. Loan Repayment Schedule</b>                         |
|                   | <b>Section 4. Estimated Eligible Project Costs</b>                |
|                   | <b>Section 5. Estimated Observation and Disbursement Schedule</b> |
| <b>EXHIBIT B:</b> | <b>Certain Definitions</b>  |
| <b>EXHIBIT C:</b> | <b>Source of Repayment and Rate Covenant Provisions</b>           |
| <b>EXHIBIT D:</b> | <b>Debt Service Reserve Provisions</b>                            |
| <b>EXHIBIT E:</b> | <b>Replacement Reserve Provisions</b>                             |
| <b>EXHIBIT F:</b> | <b>Additional Parity Obligations</b>                              |
| <b>EXHIBIT G:</b> | <b>Form of Tax Compliance Certificate of Local Borrower</b>       |
| <b>EXHIBIT H:</b> | <b>Form of Opinion of Counsel to Local Borrower</b>               |

At Loan Closing, the Local Borrower must deliver to the Authority the Tax Compliance Certificate of Local Borrower in the form of Exhibit G and the Opinion of Local Borrower Counsel in the form of Exhibit H, signed and dated the date of Loan Closing.

**ARTICLE 2**  
**DESCRIPTION OF THE PROJECT**

**Section 2.01 Description of the Project.** The Projects are described in the Project Summaries attached to the Loan Resolutions of the Authority.

**Section 2.02 Description of the System.** The System means the County's entire sewer system, all sewer properties of every nature hereafter owned by the County and all acquisitions, improvements and extensions added thereto by the County while any Parity Obligations remain Outstanding, including all real and personal property or every nature comprising part of, or used or useful in connection with, the County's sewer system, and including all appurtenances, contracts, leases, franchises and other intangibles.

Section 2.03 Disposition of System. In addition to the circumstances described in Section 1.20(c) of the Standard Terms and Conditions, the Local Borrower may also sell, lease or otherwise dispose of any of the property comprising part of the System if, as evidenced by a report of an independent engineer or firm of such engineers having a favorable reputation with respect to such matters, the ratio of Net Revenues, as defined in Exhibit B, for the immediately preceding fiscal year or twelve (12) month period, to the maximum annual amount of Loan Repayments and other obligations secured by Net Revenues, assuming such disposition occurred at the beginning of such period, would not have been reduced to below 1.20 or by more than 35%.

ARTICLE 3  
LOAN TO LOCAL BORROWER;  
AMOUNTS PAYABLE

Section 3.01 The Loan. The Authority shall loan and disburse to the Local Borrower in accordance with this Article 3 an amount listed in Exhibit A (the "Loan"), and the Local Borrower shall borrow and accept from the Authority, the Loan in the principal amount determined pursuant to this Article 3; provided, however, that (i) the Authority shall be under no obligation to disburse any amount of the Loan if an Event of Default has occurred and is continuing under this Loan Agreement, and (ii) the amount to be disbursed shall be lawfully available for disbursement. The Local Borrower shall use the proceeds of the Loan strictly in accordance with the requirements of this Loan Agreement.

Section 3.02 Disbursements of Loan Proceeds. The Authority may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. Except as hereinafter provided, disbursements shall be made only when (i) the request for disbursements is in substantially the form provided by the Authority at loan closing and is accompanied by the necessary certifications and documentation and (ii) an Authorized Officer of the Authority has determined that such disbursements is proper. An Authorized Officer of the Authority shall approve disbursements directly to the persons or entities entitled to payment or to the Local Borrower in the case of reimbursement for costs of services already paid, and shall provide the Local Borrower with a copy of the approval and the date approved. Disbursements may be made only for Eligible Project Costs.

Section 3.03 Amounts Payable. The Local Borrower shall pay to the Authority the amounts shown in Exhibit A hereto on or before the dates shown in Exhibit A, as the same may be adjusted as provided in the Loan Agreement Standard Terms and Conditions, to reflect any revisions to the principal repayment schedule of the Loan. Such payments shall be made by electronic funds transfer or by direct debit to the Authority, in each case in accordance with payment instructions in Exhibit A.

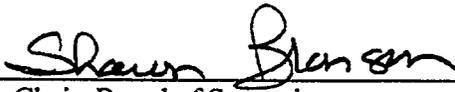
[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the Authority and the Local Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hereof.

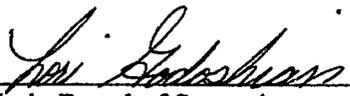
WATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA

By:   
Executive Director

PIMA COUNTY, ARIZONA

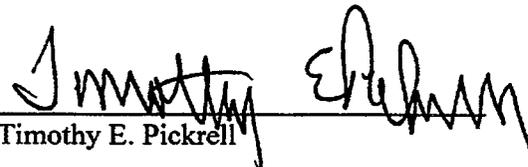
By:   
Chair, Board of Supervisors

Attest:

  
Clerk, Board of Supervisors

Approved as to Form:

SNELL & WILMER L.L.P., as  
Special Counsel to Local Borrower

By:   
Timothy E. Pickrell

## Exhibit A of Loan Agreement

**Section 1: Financial Assistance Terms and Conditions**  
**Pima County**  
**29-Apr-04**

Loan Number..... TBD  
 Closing Date..... 05/11/04  
 First Payment Period..... 01/01/05

**Financial Assistance Terms and Conditions**

Loan Amount..... \$ 18,015,219.00  
 Loan Term..... 20  
 Total # of Payment Periods within Loan Term..... 40

**Principal Repayments**

Period Principal Repayments Begin..... 6  
 First Principal Repayment Date..... 07/01/07  
 Final Principal Repayment Date..... 07/01/24

**Combined Interest and Fee Payment Dates**

First Combined Interest and Fee Payment Date\*..... 01/01/05  
 Final Combined Interest and Fee Payment Date..... 07/01/24

\* Actual initial Combined Interest and Fee payment calculated only on dollar amount drawn against loan as of initial payment date

**Debt Service Reserve Fund Requirements**

Total Reserve Amount..... In Conformance with Pima Requirements  
 Annual Amount..... In Conformance with Pima Requirements  
 Reserve Funded by (Date)..... In Conformance with Pima Requirements

**Repair and Replacement Fund Requirement**

Begin Funding on (Date)..... Not Applicable  
 Annual Amount..... Not Applicable  
 Semi-Annual Deposit..... Not Applicable

**Section 2: Borrower Payment Instructions**  
**Pima County**  
**29-Apr-04**

**Wire Transfer Instructions:**

Bank..... Bank of America  
 Account Name..... WIFA Loan Collection Account  
 Account Number..... 252-453614  
 ABA Routing Number..... 122101706

**Section 3: Loan Repayment Schedule**  
**Pima County**  
**29-Apr-04**

Year Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment	
1	1	01/01/05	3.310%	298,151.87		
1	2	07/01/05	3.310%	298,151.87	596,303.75	
2	3	01/01/06	3.310%	298,151.87		
2	4	07/01/06	3.310%	298,151.87	596,303.75	
3	5	01/01/07	3.310%	298,151.87		
3	6	07/01/07	3.310%	298,151.87	748,129.33	
4	7	01/01/08	3.310%	285,770.33		
4	8	07/01/08	3.310%	285,770.33	772,892.41	
5	9	01/01/09	3.310%	272,978.96		
5	10	07/01/09	3.310%	272,978.96	798,475.15	
6	11	01/01/10	3.310%	259,764.20		
6	12	07/01/10	3.310%	259,764.20	824,904.68	
7	13	01/01/11	3.310%	246,112.03		
7	14	07/01/11	3.310%	246,112.03	852,209.02	
8	15	01/01/12	3.310%	232,007.97		
8	16	07/01/12	3.310%	232,007.97	880,417.14	
9	17	01/01/13	3.310%	217,437.07		
9	18	07/01/13	3.310%	217,437.07	909,558.95	
10	19	01/01/14	3.310%	202,383.86		
10	20	07/01/14	3.310%	202,383.86	939,665.35	
11	21	01/01/15	3.310%	186,832.40		
11	22	07/01/15	3.310%	186,832.40	970,768.27	
12	23	01/01/16	3.310%	170,766.19		
12	24	07/01/16	3.310%	170,766.19	1,002,900.70	
13	25	01/01/17	3.310%	154,168.18		
13	26	07/01/17	3.310%	154,168.18	1,036,096.72	
14	27	01/01/18	3.310%	137,020.78		
14	28	07/01/18	3.310%	137,020.78	1,070,391.52	
15	29	01/01/19	3.310%	119,305.80		
15	30	07/01/19	3.310%	119,305.80	1,105,821.48	
16	31	01/01/20	3.310%	101,004.46		
16	32	07/01/20	3.310%	101,004.46	1,142,424.17	
17	33	01/01/21	3.310%	82,097.34		
17	34	07/01/21	3.310%	82,097.34	1,180,238.41	
18	35	01/01/22	3.310%	62,564.39		
18	36	07/01/22	3.310%	62,564.39	1,219,304.30	
19	37	01/01/23	3.310%	42,384.90		
19	38	07/01/23	3.310%	42,384.90	1,259,663.27	
20	39	01/01/24	3.310%	21,537.48		
20	40	07/01/24	3.310%	21,537.48	1,301,358.13	
				7,377,183.94	18,015,219.00	25,392,402.94

Section 4: Estimated Eligible Project Costs  
Pima County  
May 11, 2004

<b>Uses by Budget Item</b>	<b>Amount Budgeted</b>
Planning	--
Design & Engineering	\$400,605.00
Legal/Debt Authorization	--
Financial Advisor	--
Land/System Acquisition	--
Equipment/Materials	--
Construction/Installation/Improvements	17,614,614.00
Inspection & Construction Management	--
Project Officer	--
Administration	--
Staff Training	--
Capitalized Interest	--
Other	--
<b>Total Budget</b>	<hr/> <b>\$18,015,219.00</b>

Section 5: Estimated Observation and Disbursement Schedule  
Pima County  
May 11, 2004

**CW 010-2003 - Randolph Park Wastewater Reclamation Facility**

**WIFA Financial Assistance - \$15,236,510**

WIFA Withholding % (released after Final Observation) .....	5%
Final Observation: 95% Loan Disbursal.....	\$ 14,474,684.50
WIFA Withholding (released after ADEQ Approval of Construction)...	\$ 761,825.50

**CW 036-2004 - Santa Cruz Interceptor: Prince to Franklin**

**WIFA Financial Assistance - \$2,078,104**

WIFA Withholding % (released after Final Observation) .....	15%
Observation 1: 50% Loan Disbursal.....	\$ 1,039,052.00
Observation 2: 75% Loan Disbursal.....	\$ 1,558,578.00
Final Observation: 85% Loan Disbursal.....	\$ 1,766,388.40
WIFA Withholding (released after ADEQ Approval of Construction)...	\$ 311,715.60

**CW 043-2004 - Marana Wastewater Treatment Plant Expansion**

**WIFA Financial Assistance - \$585,388**

WIFA Withholding % (released after Final Observation) .....	15%
Observation 1: 50% Loan Disbursal.....	\$ 292,694.00
Observation 2: 75% Loan Disbursal.....	\$ 439,041.00
Final Observation: 85% Loan Disbursal.....	\$ 497,579.80
WIFA Withholding (released after ADEQ Approval of Construction)...	\$ 87,808.20

**CW 045-2004 - Tanque Verde Interceptor: Craycroft to Tucson Country Club**

**WIFA Financial Assistance - \$115,217**

WIFA Withholding % (released after Final Observation) .....	15%
Observation 1: 50% Loan Disbursal.....	\$ 57,608.50
Observation 2: 75% Loan Disbursal.....	\$ 86,412.75
Final Observation: 85% Loan Disbursal.....	\$ 97,934.45
WIFA Withholding (released after ADEQ Approval of Construction)...	\$ 17,282.55

**Additional Observations** – A WIFA representative may perform additional observations based on information provided in the projects status reports included in each Local Borrower disbursement requisition form.

## EXHIBIT B

### CERTAIN DEFINITIONS

As used in this Loan Agreement, undefined terms shall have the meanings specified in the Bond Resolution and additional terms shall have the meanings set forth in the attached Loan Agreement Standard Terms and Conditions. In addition, the following terms shall have the meanings set forth below:

"Authority's Series 1996A Loan" shall mean the Loan Agreement, dated as of February 1, 1996, between the Authority and the County.

"Authority's Series 1997A Loan" shall mean the Loan Agreement, dated as of June 1, 1997, between the Authority and the County.

"Authority's Series 2000 Loan" shall mean the Loan Agreement, dated as of October 27, 2000, between the Authority and the County.

"Authority's Series 2001 Loan" shall mean the Amendment to Loan Agreement, dated as of December 28, 2001, between the Authority and the County.

"Authority's Series 2004 Loan" shall mean the Loan Agreement, dated as of May 11, 2004, between the Authority and the County.

"Master Resolution" shall mean the County's Resolution No. 1991-138, as amended from time to time.

"Net Revenues" shall mean Revenues remaining after deducting Operating Expenses.

"Operating Expenses" shall mean the reasonable and necessary costs of System operation, maintenance, and repair, including salaries, wages, cost of materials and supplies, and insurance, but shall exclude depreciation, payments into the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund and Loan Repayments.

"Outstanding Parity Obligations" shall mean, as of the date hereof, those obligations so described in Exhibit C.

"Parity Obligations" shall mean the Outstanding Parity Obligations outstanding at any time together with any additional Bonds or other obligations issued in accordance with Section 13 of the Master Resolution (including the Loan Agreement).

"Reserve Requirement" shall mean an amount equal to Average Annual Debt Service on the Outstanding Parity Obligations or such lesser amount permitted to be funded at under Section 148 of the Internal Revenue Code of 1986, as amended, or any comparable statutory provision limiting the amount of reasonably required reserve and replacement fund.

"Revenues" shall mean and include all income, moneys and receipts derived by the County from the ownership, use and operation including, without limitation, interest received on

and profits realized from the sale of, investments made with System moneys (excluding from such determination interest and profits retained in either the Construction Fund or the System Development Fund pursuant to Section 10B(8) of the Master Resolution) however, the term Revenues shall not include Bond or other Parity Obligation proceeds or the interest received on any Bond or other Parity Obligation proceeds placed irrevocably in trust to pay, or provide for the payment of, any Bond or Bonds or other Parity Obligation being refunded or any amounts received which the County is contractually required to pay out as reimbursement for acquisition, construction or installation of System facilities.

## EXHIBIT C

### SOURCE OF REPAYMENT AND RATE COVENANT PROVISIONS

1. Source of Repayment. The Local Borrower's obligations under the Loan Agreement shall be payable solely from the Net Revenues of the System, shall be equally and ratably secured by a pledge thereof and lien thereon, and shall be fully entitled to the benefit of the provisions of the Master Resolution and the funds and accounts created thereunder as Parity Bonds.

This Loan Agreement will be on a parity with all outstanding amounts of Pima County, Arizona, Sewer Revenue Bonds, Series 1993, the Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1994A, the Pima County, Arizona, Sewer Improvement Revenue Bonds, Series 1994B, the Authority's Series 1996A Loan, the Authority's Series 1997A Loan, the Pima County, Arizona, Sewer Improvement and Refunding Revenue Bonds, Series 1998, the Authority's Series 2000 Loan, the Authority's Series 2001 Loan, the Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 2001, and the Authority's Series 2004 Loan (collective, the "Outstanding Parity Obligations"). This Loan Agreement shall be on a parity with those Outstanding Parity Obligations and any other bonds hereafter issued on a parity with such obligations authorized pursuant to the Master Resolution (as additional Parity Bonds thereunder) and shall enjoy the same parity of lien and rights of enforcement enjoyed by such bonds.

The County reaffirms all covenants and conditions contained in the Master Resolution and agrees that all such covenants and conditions shall also apply to this Loan Agreement and all funds created or continued by the Master Resolution are hereby ordered expanded so as to service the increased requirements caused by the delivery of the Loan Agreement, as set forth herein.

2. Rate Covenant. The County covenants and agrees with the Authority that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the bond fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's policy costs due and owing in such fiscal year.

## EXHIBIT C

### SOURCE OF REPAYMENT AND RATE COVENANT PROVISIONS

1. Source of Repayment. The Local Borrower's obligations under the Loan Agreement shall be payable solely from the Net Revenues of the System, shall be equally and ratably secured by a pledge thereof and lien thereon, and shall be fully entitled to the benefit of the provisions of the Master Resolution and the funds and accounts created thereunder as Parity Bonds.

This Loan Agreement will be on a parity with all outstanding amounts of Pima County, Arizona, Sewer Revenue Bonds, Series 1993, the Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1994A, the Pima County, Arizona, Sewer Improvement Revenue Bonds, Series 1994B, the Authority's Series 1996A Loan, the Authority's Series 1997A Loan, the Pima County, Arizona, Sewer Improvement and Refunding Revenue Bonds, Series 1998, the Authority's Series 2000 Loan, the Authority's Series 2001 Loan, the Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 2001, and the Authority's Series 2004 Loan (collective, the "Outstanding Parity Obligations"). This Loan Agreement shall be on a parity with those Outstanding Parity Obligations and any other bonds hereafter issued on a parity with such obligations authorized pursuant to the Master Resolution (as additional Parity Bonds thereunder) and shall enjoy the same parity of lien and rights of enforcement enjoyed by such bonds.

The County reaffirms all covenants and conditions contained in the Master Resolution and agrees that all such covenants and conditions shall also apply to this Loan Agreement and all funds created or continued by the Master Resolution are hereby ordered expanded so as to service the increased requirements caused by the delivery of the Loan Agreement, as set forth herein.

2. Rate Covenant. The County covenants and agrees with the Authority that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the bond fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's policy costs due and owing in such fiscal year.

**EXHIBIT D**

**DEBT SERVICE RESERVE PROVISIONS**

The Reserve Fund Value shall be increased in the manner and at the times required by the Master Resolution to the extent necessary to the amount of the aggregate Reserve Requirement for the obligations of the Local Borrower hereunder and under all other Outstanding Parity Obligations.

EXHIBIT E

REPLACEMENT RESERVE PROVISIONS

The Local Borrower shall not be required to maintain a Replacement Reserve in connection with the Loan.

## EXHIBIT F

### ADDITIONAL PARITY OBLIGATIONS

The obligations of the Local Borrower under this Loan Agreement shall enjoy complete parity of lien on the Net Revenues with all Parity Obligations despite the fact that any bond or obligation may have been delivered before any other bond or obligation. The County will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the Net Revenues having priority over or on parity with the Parity Obligations; provided, however, that additional Parity Obligations may be issued on a parity with the Loan Agreement and other Outstanding Parity Obligations under the following conditions, but not otherwise:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Obligations must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Obligations to be Outstanding immediately after issuance of such Parity Obligations and said Net Revenues must also have been sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the bond fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's policy costs due and owing in such fiscal year as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Parity Obligations are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues; (ii) if during such preceding Fiscal year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues; and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenue;

2. The payments required to be made into the various Funds provided in the Master Resolution must be current at the time of issuance of the Parity Obligations;

3. The additional Parity Obligation proceeds must be used solely to make extensions, renewals, improvements, or replacements to the System or to refund any Obligations; and

4. The Reserve Fund Value shall be increased with respect to such Parity Obligations, at the Board's option, by: (i) the immediate deposit of Parity Obligations proceeds or available moneys of the County to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty to the Paying Agent under the Master Resolution, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after the

issuance of such Parity Bonds; or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10<sup>th</sup> day of each month such that the Reserve fund Value will equal or exceed the increased Reserve Requirement not later than the expiration of five years following the initial delivery of such Parity Obligations, or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the increase in the Reserve Requirement resulting from the issuance of such obligations.

**EXHIBIT G**

**FORM OF TAX COMPLIANCE CERTIFICATE OF LOCAL BORROWER**

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA  
\$18,015,219**

**Clean Water Revolving Fund Loan  
to the Pima County**

The Water Infrastructure Finance Authority of Arizona (the "Authority") and the Pima County (the "Local Borrower") are entering into a Loan Agreement (the "Loan Agreement") in the maximum principal amount stated above pursuant to which the Authority will make a Loan to the Local Borrower. Capitalized terms used herein and not otherwise defined herein have the meanings given to them in the Loan Agreement and attachments or exhibits thereto, or in Attachment A to this Certificate. The Local Borrower acknowledges that the Authority is entering into the Loan Agreement and agreeing to make the Loan at this time for the benefit of the Local Borrower, and that the Authority intends to finance the Loan, along with other loans to other local borrowers, through the issuance of Authority Bonds (defined in the Standard Terms and Conditions of the Loan Agreement). In order to establish certain facts necessary for the Loan to be financed at a later time through the issuance of Authority Bonds, and as required by the provisions of the Loan Agreement, the Local Borrower makes the certifications set forth herein and covenants to comply with the provisions hereof. As required by the provisions of the Loan Agreement, the Local Borrower will provide an updated certificate in connection with the Loan being financed through the issuance of Authority Bonds and will comply with the provisions of that certificate.

1. The Local Borrower is a Governmental Unit. The proceeds of the Loan from the Authority are being used to pay costs of the Projects identified in the Loan Agreement.

2. The Local Borrower has not and will not use the proceeds of the Loan from the Authority to refinance any debt issued by or on its behalf or to invest in any Investment Property.

3. (i) Neither the Local Borrower nor any Related Party shall, pursuant to any arrangement, formal or informal, purchase Authority Bonds in an amount related to the amount of its Loan from the Authority.

(ii) The Projects and the proceeds of the Loan will not be used directly or indirectly (a) for any Private Business Use or (b) to make or finance loans to any Private Person or to another Governmental Unit except the Local Borrower.

(iii) Neither the Local Borrower nor the Authority has entered into, and neither has any expectation or intent to enter into, any contract (a) whereby any Private Person will be a lessee or tenant or user (other than a user as a member of, and on the same basis as, the general public) of any portion of the Project or manage any operation of or within the Project, (b) that provides any Private Person with all or any designated portion of the output or services of the Project unlike contracts for the general public use of or service from the Project or any system of

which it is a part, or (c) that obligates any Private Person to take, or to take or pay for, all or any designated portion of the services or output of the Project, or to make payments unlike payments by the general public, directly or indirectly, for use of the Project, or for Debt Service on the Loan from the Authority.

(iv) The Project is not so situated as to be useful only or predominantly (a) to one or a few Private Persons in their businesses or (b) to the customers or other business visitors of one or a few Private Persons.

(v) None of the proceeds of the Loan will be used (a) to pay principal of, or interest on, refund, roll over, retire or replace any other obligations issued by or on behalf of the Authority or any other Governmental Unit, including the Local Borrower, (b) to reimburse any expenditures made prior to the date hereof except those which qualify as a Reimbursement of Prior Capital Expenditures, or (c) to replace any Proceeds of obligations which Proceeds that were not expended on the project for which the obligations were issues. No portion of the Loan is being used solely for the purpose of investing in Higher Yielding Investments with respect to the Loan, or 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 of the Loan, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee for the Loan, interest on the Loan for a period commencing on this date and ending on the date that is the later of three years from this date or one year after the date on which the project was or will be placed in service and costs, other than those already described, that do not exceed 5% of the amount of the Loan and that are directly related to Capital Expenditures financed or deemed financed by the Loan, principal or interest on the Loan paid from unexpected excess sale proceeds or investment proceeds, and principal or interest on the Loan paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund).

(vi) The Local Borrower does not intend to sell or otherwise dispose of the Project or any portion thereof during the term of the Loan except for dispositions of property in the normal course at the end of such property's useful life to the Local Borrower.

4. With respect to the Project:

(i) The Local Borrower has entered into substantial binding obligations calling for the expenditures of at least 5% of the amount to be loaned to the Local Borrower pursuant to the Loan Agreement.

(ii) Work on the Project has commenced or will commence within six months after the date hereof and is expected to proceed with due diligence to its completion.

(iii) The Project is expected to be substantially completed not later than three years from this date, and all of the amounts loaned to the Local Borrower are expected to be used to pay costs of the Project by that date.

5. On the date hereof, the Local Borrower reasonably expects that not less than 95% of the amount loaned to the Local Borrower pursuant to the Loan Agreement will be used to carry out the Governmental Purpose of such loan within the 3-year period beginning on the date hereof and not more than 50% of that portion of the amount loaned to the Local Borrower will be

invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more. The reasonable expectations stated above are not based on and do not take into account (i) 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 (ii) any prepayments of items other than items that are customarily prepaid.

6. If so directed by the Authority in writing, the Local Borrower will use, and will restrict the use and investment of, the Proceeds of the Loan in such manner and to such extent as may be necessary so that (i) the Authority Bonds will not (a) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149, respectively, or (b) be treated other than as obligations to which Section 103(a) applies, and (ii) the interest thereon will not be an item of tax preference under Section 57.

7. The reasonably expected economic life of the facilities being financed by the Loan taking into account the respective cost of such facilities is at least 20 years.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of May 11, 2004.

PIMA COUNTY, ARIZONA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Attachment A  
To Tax Compliance Certificate of Local Borrower

DEFINITIONS

The following terms, as used in this Attachment A and in the Tax Compliance Certificate to which it is attached have the following meanings unless therein otherwise defined or unless different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in this 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 Loan 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 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.

"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 bond or note 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 Year" means the annual period relevant to the application of Section 148(f) to the 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 the issue unless the issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Expenditure" means costs of a type that are properly chargeable to capital account (or would be so chargeable with a proper election) under general federal income tax principles.

"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.

"Debt Service" means principal of an interest and any redemption premium on an issue.

"501(c)(3) Organization" means an organization described in Section 501(c)(3) and except from tax under Section 501(a).

"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 all issue.

"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 of this Certificate, is more than one-eighth of one percentage point (.00125) higher than the Yield on the applicable 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 any financial, legal, administrative and other fees or costs incurred in connection with the issuance of all issue, including any underwriter's compensation.

"Issuance Date" means the date of physical delivery of all issue in exchange for the purchase price of the issue.

"Nonpurpose Investments" means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of the 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 not include any other investment that is a "nonpurpose investment" within the applicable meaning of Section 148.

"Preliminary Expenditures" means any Capital Expenditures that are preliminary expenditures, within the meaning of Regulations §1.150-2(f)(2) or former Regulations §1.10318(i)(2), as applicable, i.e., architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that are incurred prior to commencement of

**EXHIBIT H**

**FORM OF OPINION OF COUNSEL TO LOCAL BORROWER**

May 11, 2004

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Ladies and Gentlemen:

I am an attorney admitted to practice in the State of Arizona and I have acted as counsel to the [describe Local Borrower] (the "Local Borrower"), which has entered into a Loan Agreement (as hereinafter defined) with the Water Infrastructure Finance Authority of Arizona (the "Authority"), and have acted as such in connection with the authorization, execution and delivery by the Local Borrower of the Loan Agreement (as hereinafter defined). Terms used and not otherwise defined herein have the meanings given to them in the Loan Agreement.

In so acting I have examined the Constitution and laws of the State of Arizona. I have also examined originals, or copies certified or otherwise identified to my satisfaction, of the following:

(a) the Loan Agreement, dated as of May 11, 2004 (the "Loan Agreement") by and between the Authority and the Local Borrower; and

(b) proceedings of the governing board of the Local Borrower relating to the approval of the Loan Agreement and the Local Borrower Bond and the execution, issuance and delivery thereof on behalf of the Local Borrower, and the authorization of the undertaking and completion of the Project, including the proceedings relating to the election held on May 20, 1997, on the question of authorizing the Local Borrower to enter into loan agreements with the Authority and/or issue the Local Borrower Bond, of which there is authorized but unissued capacity at least equal to the principal amount of the Loan.

I have also examined and relied upon originals, or copies certified or otherwise authenticated to my satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in my judgment I have deemed necessary or appropriate to enable me to render the opinions expressed below.

Based upon the foregoing, I am of the opinion that:

1. The Local Borrower is a political subdivision of the State of Arizona with the legal right to carry on the business of the System (as described in the Loan Agreement) as currently being conducted and as proposed to be conducted.

2. The Local Borrower has full legal right and authority to pledge the Source of Repayment for the Loan Repayments and to execute and deliver the Loan Agreement, and to

observe and perform its duties, covenants, obligations and agreements thereunder and to undertake and complete the Project; subject, however, to the effect of restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization, debt adjustment or other similar laws affecting creditors rights generally ("Creditor's Rights Limitations") heretofore or hereafter enacted.

3. The Local Borrower has duly and validly pledged the Source of Repayment for the punctual payment of the principal of and interest on the Loan and all other amounts due under the Loan Agreement and the Local Borrower Bond according to their respective terms.

4. All additional debt tests and reserves and other requirements applicable to the Local Borrower with respect to the pledge of the Source of Repayment have been satisfied.

5. The authorizing proceedings of the Local Borrower's governing body approving the Loan Agreement and authorizing its execution, issuance and delivery on behalf of the Local Borrower, and authorizing the Local Borrower to undertake and complete the Project (hereinafter collectively called the "Authorizing Resolutions") have been duly and lawfully adopted and authorized in accordance with applicable Arizona law, at a meeting or meetings which were duly called pursuant to necessary public notice and held accordance with applicable Arizona law, and at quorums were present and acting throughout.

6. The Loan Agreement has been duly authorized, executed and delivered by the authorized officers of the Local Borrower, and, assuming that the Authority has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered the Loan Agreement, the Loan Agreement constitutes the legal, valid and binding obligation of the Local Borrower enforceable in accordance with its terms, subject, however, to the effect of and to restrictions and limitations imposed by or resulting from Creditor's Rights Limitations or other laws, judicial decisions and principles of equity relating to the enforcement of contractual obligations generally.

7. To the best of my knowledge, after such investigation as I have deemed appropriate, the authorization, execution and delivery of the Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions contemplated therein and the undertaking and completion of the Project do not and will not contravene any existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or governmental or administrative agency, authority or person having jurisdiction over the Local Borrower or its property or assets or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing bond resolutions, trust agreement, indenture, mortgage, deed of trust or other agreement to which the Local Borrower is a party or by which it, the System or its property or assets is bound.

8. To the best of my knowledge, after such investigation as I have deemed appropriate, all approvals, consents or authorizations of, or registrations of, or filing with, any governmental or public agency, authority or person required to date on the part of the Local Borrower in connection with the authorization, execution, delivery and performance of the Loan Agreement, and the undertaking and completion of the Project have been obtained or made.

9. To the best of my knowledge, after such investigation as I have deemed appropriate, there is no litigation or other proceeding pending or threatened in any Court or other tribunal of competent jurisdiction (either State or Federal) questioning the creation, organization or existence of the Local Borrower or the validity, legality or enforceability of the Loan Agreement, or the undertaking or completion of the Project.

This opinion is rendered on the basis of Federal law and the laws of the State of Arizona as enacted and construed on the date hereof. I express no opinion as to any matter not set forth in the numbered paragraphs herein.

Very truly yours,

AMENDMENT NO. 1  
dated as of September 1, 2005

to

LOAN AGREEMENT NO. 910064-04

dated as of May 11, 2004

between

Water Infrastructure Finance Authority of Arizona

and

Pima County, Arizona

THIS AMENDMENT NO. 1 dated as of September 1, 2005 (the "*Amendment*"), to that certain LOAN AGREEMENT NO. 910064-04, dated as of May 11, 2004 (the "*2004 Loan Agreement*"), by and between the WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (the "*Authority*"), and PIMA COUNTY, ARIZONA (the "*Local Borrower*" and the "*County*"), a political subdivision of the State of Arizona.

RECITALS:

WHEREAS, pursuant to Resolution 2003-008, adopted by the Authority on June 18, 2003, as amended by Resolution Addendum A2003-022, adopted by the Authority on December 17, 2003, Resolution 2004-012, adopted by the Authority on April 21, 2004, Resolution 2004-013, adopted by the Authority on April 21, 2004 and Resolution 2004-014, adopted by the Authority on April 21, 2004, and the 2004 Loan Agreement, the Authority has loaned the County \$18,015,219 for the purpose of constructing, expanding, improving, installing and/or equipping the wastewater treatment facilities of the County described therein; and

WHEREAS, pursuant to Resolution Addendum A2005-007, adopted by the Authority on June 15, 2005, the Authority has approved the loan of an additional \$1,952,112 to the County, resulting in an aggregated loan of \$19,967,331 under the 2004 Loan Agreement, and the amendment of the 2004 Loan Agreement to reflect amended project descriptions and related changes in the terms of the loan and its repayment,

NOW, THEREFORE, it is hereby agreed by the Authority and the County as follows:

SECTION 1. Section 2.01 of the 2004 Loan Agreement is hereby amended to read, in its entirety, as follows:

"Section 2.01 Description of Projects. The Projects are described in Section 2 of Resolution Addendum A2005-07 of the Authority and in the Project Summaries attached to each of the following resolutions of the Authority: Resolution 2003-08, Resolution 2004-012, Resolution 2004-013 and Resolution 2004-014."

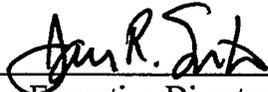
SECTION 2. Exhibit A to the 2004 Loan Agreement is hereby amended and restated to read, in its entirety, as it appears in Exhibit A hereto.

SECTION 3. At the time of the execution and delivery of this Amendment No. 1, the Local Borrower must deliver to the Authority a Supplemental Tax Compliance Certificate of Local Borrower in the form of Exhibit B hereto, signed and dated as of the date of this Amendment No. 1. Within five business days of the execution and delivery of this Amendment No. 1, the Local Borrower must deliver a signed and dated Supplemental Opinion of Local Borrower Counsel in the form of Exhibit C to this Amendment No. 1.

SECTION 4. This Amendment No. 1 may be executed in counterparts, each of which alone and all of which together shall be deemed to be one original document.

IN WITNESS WHEREOF, the Authority and the Local Borrower have caused this Loan Agreement to be executed and delivered, as of the date of execution hereof.

WATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA

By:   
Executive Director

PIMA COUNTY, ARIZONA

Attest:   
Clerk, Board of Supervisors

By:   
Chair, Board of Supervisors

Approved as to Form:

SQUIRE, SANDERS & DEMPSEY, L.L.P., as Special Counsel

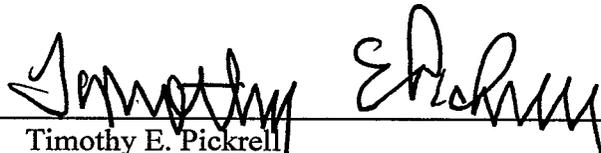
By:   
Timothy E. Pickrell

EXHIBIT A TO AMENDMENT NO. 1 TO LOAN AGREEMENT NO. 910064-04

AMENDED AND RESTATED EXHIBIT A

[attach exhibit provided by WIFA]

**Exhibit A of Loan Agreement**

Section 1: Financial Assistance Terms and Conditions  
Pima County  
06-Sep-05

<b>Loan Number</b> .....	910064-04
<b>Closing Date</b> .....	05/11/04
<b>Amended</b> .....	<del>09/01/05</del>
<b>First Payment Period</b> .....	01/01/05
<b>Financial Assistance Terms and Conditions</b>	
Loan Amount.....	\$ 19,967,331.00
Loan Term.....	20
Total # of Payment Periods within Loan Term.....	40
<b>Principal Repayments</b>	
Period Principal Repayments Begin.....	6
First Principal Repayment Date.....	07/01/07
Final Principal Repayment Date.....	07/01/24
<b>Combined Interest and Fee Payment Dates</b>	
First Combined Interest and Fee Payment Date*.....	01/01/05
Final Combined Interest and Fee Payment Date.....	07/01/24
* Actual Initial Combined Interest and Fee payment calculated only on dollar amount drawn against loan as of initial payment date	
<b>Debt Service Reserve Fund Requirements</b>	
Total Reserve Amount.....	In Conformance with Pima Requirements
Annual Amount.....	In Conformance with Pima Requirements
Reserve Funded by (Date).....	In Conformance with Pima Requirements
<b>Repair and Replacement Fund Requirement</b>	
Begin Funding on (Date).....	Not Applicable
Annual Amount.....	Not Applicable
Semi-Annual Deposit.....	Not Applicable

**Section 2: Borrower Payment Instructions**  
**Pima County**  
**06-Sep-05**

**Wire Transfer Instructions:**

**Bank .....Bank of America**  
**Account Name.....WIFA Loan Collection Account**  
**Account Number.....252-453614**  
**ABA Routing Number..... 122101706**

Section 3: Loan Repayment Schedule  
Pima County  
06-Sep-05

Year Period		Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment
1	1	01/01/05	3.310%	\$ 348,214.32		
1	2	07/01/05	3.310%	288,841.38		637,055.70
2	3	01/01/06	3.310%	330,459.33		
2	4	07/01/06	3.310%	330,459.33		660,918.66
3	5	01/01/07	3.310%	330,459.33		
3	6	07/01/07	3.310%	330,459.33	829,195.91	1,490,114.57
4	7	01/01/08	3.310%	316,736.14		
4	8	07/01/08	3.310%	316,736.14	856,642.30	1,490,114.57
5	9	01/01/09	3.310%	302,558.71		
5	10	07/01/09	3.310%	302,558.71	884,997.16	1,490,114.57
6	11	01/01/10	3.310%	287,912.00		
6	12	07/01/10	3.310%	287,912.00	914,290.56	1,490,114.57
7	13	01/01/11	3.310%	272,780.49		
7	14	07/01/11	3.310%	272,780.49	944,553.58	1,490,114.57
8	15	01/01/12	3.310%	257,148.13		
8	16	07/01/12	3.310%	257,148.13	975,818.31	1,490,114.57
9	17	01/01/13	3.310%	240,998.34		
9	18	07/01/13	3.310%	240,998.34	1,008,117.89	1,490,114.57
10	19	01/01/14	3.310%	224,313.99		
10	20	07/01/14	3.310%	224,313.99	1,041,486.59	1,490,114.57
11	21	01/01/15	3.310%	207,077.38		
11	22	07/01/15	3.310%	207,077.38	1,075,959.80	1,490,114.57
12	23	01/01/16	3.310%	189,270.25		
12	24	07/01/16	3.310%	189,270.25	1,111,574.07	1,490,114.57
13	25	01/01/17	3.310%	170,873.70		
13	26	07/01/17	3.310%	170,873.70	1,148,367.17	1,490,114.57
14	27	01/01/18	3.310%	151,868.22		
14	28	07/01/18	3.310%	151,868.22	1,186,378.13	1,490,114.57
15	29	01/01/19	3.310%	132,233.66		
15	30	07/01/19	3.310%	132,233.66	1,225,647.24	1,490,114.57
16	31	01/01/20	3.310%	111,949.20		
16	32	07/01/20	3.310%	111,949.20	1,266,216.16	1,490,114.57
17	33	01/01/21	3.310%	90,993.33		
17	34	07/01/21	3.310%	90,993.33	1,308,127.92	1,490,114.57
18	35	01/01/22	3.310%	69,343.81		
18	36	07/01/22	3.310%	69,343.81	1,351,426.95	1,490,114.57
19	37	01/01/23	3.310%	46,977.69		
19	38	07/01/23	3.310%	46,977.69	1,396,159.19	1,490,114.57
20	39	01/01/24	3.310%	23,871.26		
20	40	07/01/24	3.310%	23,871.26	1,442,372.06	1,490,114.57
				8,152,705.62	19,967,331.00	28,120,036.62

Section 4: Estimated Eligible Project Costs  
Pima County  
06-Sep-05

<b>Uses by Budget Item</b>	<b><u>Amount Budgeted</u></b>
Planning.....	0.00
Design & Engineering.....	400,605.00
Legal/Debt Authorization.....	0.00
Financial Advisor.....	0.00
Land/System Acquisition.....	0.00
Equipment/Materials.....	0.00
Construction/Installation/Improvement.....	19,566,726.00
Insepection & Construction Management.....	0.00
Project Officer.....	0.00
Administration.....	0.00
Staff Training.....	0.00
Capitalized Interest.....	0.00
Other.....	0.00
<b>Total Budget.....</b>	<b><u>\$ 19,967,331.00</u></b>

Section 5: Estimated Observation and Disbursement Schedule

Pima County

06-Sep-05

**Observation Schedule A**

**CW 010-2003 - Randolph Park Wastewater Reclamation Facility**

**WIFA Financial Assistance - \$15,236,510**

WIFA Withholding % (released after final observation) ..... 5%

Observation 1: 50% Loan Disbursal.....	\$	7,618,255.00
Final Observation: 95% Loan Disbursal.....	\$	14,474,684.50
WIFA Withholding (released after final observation).....	\$	761,825.50

**CW 036-2004 - Santa Cruz Interceptor: Prince to Franklin**

**WIFA Financial Assistance - \$2,565,604**

WIFA Withholding % (released after final observation) ..... 5%

Observation 1: 50% Loan Disbursal.....	\$	1,282,802.00
Final Observation: 95% Loan Disbursal.....	\$	2,437,323.80
WIFA Withholding (released after final observation).....	\$	128,280.20

**CW 043-2004 - Marana Wastewater Treatment Plant Expansion**

**WIFA Financial Assistance - \$2,050,000**

WIFA Withholding % (released after final observation) ..... 5%

Observation 1: 50% Loan Disbursal.....	\$	1,025,000.00
Final Observation: 95% Loan Disbursal.....	\$	1,947,500.00
WIFA Withholding (released after final observation).....	\$	102,500.00

**CW 045-2004 - Tanque Verde Interceptor: Craycroft to Tucson Country Club**

**WIFA Financial Assistance - \$115,217**

WIFA Withholding % (released after final observation) ..... 5%

Observation 1: 50% Loan Disbursal.....	\$	57,608.50
Final Observation: 95% Loan Disbursal.....	\$	109,456.15
WIFA Withholding (released after final observation).....	\$	5,760.85

EXHIBIT B TO AMENDMENT NO. 1 TO LOAN AGREEMENT NO. 910064-04  
SUPPLEMENTAL TAX COMPLIANCE CERTIFICATE OF LOCAL BORROWER  
WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

\$1,952,112 Increased Amount Clean Water Revolving Fund Loan to the Pima County

The Water Infrastructure Finance Authority of Arizona (the “*Authority*,”) and Pima County, Arizona (the “*Local Borrower*”) are amending Loan Agreement No. 910064-04 (the “*Loan Agreement*”) to increase the maximum principal by the amount stated above to a maximum principal amount of \$19,967,331 pursuant to Amendment No. 1, dated as of September 1, 2005 (the “*Amendment*”), to the Loan Agreement. Capitalized terms used herein and not otherwise defined herein have the meanings given to them in the Loan Agreement and attachments or exhibits thereto, or in Attachment A to this Certificate. The Local Borrower acknowledges that the Authority is amending the Loan Agreement and agreeing to amend the Loan at this time for the benefit of the Local Borrower; and that the Authority intends to finance the Loan, along with other loans to other local borrowers, through the issuance of Authority Bonds (defined in the Standard Terms and Conditions of the Loan Agreement). In order to establish certain facts necessary for the Loan to be financed at a later time through the issuance of Authority Bonds, and as required by the provisions of the Loan Agreement, the Local Borrower makes the certifications set forth herein and covenants to comply with the provisions hereof. As required by the provisions of the Loan Agreement, the Local Borrower will provide an updated certificate in connection with the Loan being financed through the issuance of Authority Bonds and will comply with the provisions of that certificate.

1. The Local Borrower is a Governmental Unit. The proceeds of the Loan from the Authority are being used to pay costs of the Projects identified in the Loan Agreement, as amended by the Amendment.

2. The Local Borrower has not and will not use the proceeds of the Loan from the Authority to refinance any debt issued by or on its behalf or to invest in any Investment Property.

3. (i) Neither the Local Borrower nor any Related Party shall, pursuant to any arrangement, formal or informal, purchase Authority Bonds in an amount related to the amount of its Loan from the Authority.

(ii) The Projects and the proceeds of the Loan will not be used directly or indirectly (a) for any Private Business Use or (b) to make or finance loans to any Private Person or to another Governmental Unit except the Local Borrower.

(iii) Neither the Local Borrower nor the Authority has entered into, and neither has any expectation or intent to enter into, any contract (a) whereby any Private Person will be a lessee or tenant or user (other than a user as a member of, and on the same basis as, the general public) of any portion of the Projects or manage any operation of or within the Projects, (b) that provides any Private Person with all or any designated portion of the output or services of the Projects unlike contracts for the general public use of or service from the Projects or any system of which it is a part, or (c) that obligates any Private Person to take, or to take or pay for, all or

any designated portion of the services or output of the Projects, or to make payments unlike payments by the general public, directly or indirectly, for use of the Projects, or for Debt Service on the Loan from the Authority.

(iv) The Projects are not so situated as to be useful only or predominantly (a) to one or a few Private Persons in their businesses or (b) to the customers or other business visitors of one or a few Private Persons.

(v) None of the proceeds of the Loan will be used (a) to pay principal of, or interest on, refund, roll over, retire or replace any other obligations issued by or on behalf of the Authority or any other Governmental Unit, including the Local Borrower, (b) to reimburse any expenditures made prior to the date hereof except those which qualify as a Reimbursement of Prior Capital Expenditures, or (c) to replace any Proceeds of obligations which Proceeds that were not expended on the Projects for which the obligations were issued. No portion of the Loan is being used solely for the purpose of investing in Higher Yielding Investments with respect to the Loan, or 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 of the Loan, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee for the Loan, interest on the Loan for a period commencing on this date and ending on the date that is the later of three years from this date or one year after the date on which the Projects were or will be placed in service, and costs, other than those already described, that do not exceed 5% of the amount of the Loan and that are directly related to Capital Expenditures financed or deemed financed by the Loan, principal or interest on the Loan paid from unexpected excess sale proceeds or investment proceeds, and principal or interest on the Loan paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund).

(vi) The Local Borrower does not intend to sell or otherwise dispose of the Projects or any portion thereof during the term of the Loan except for dispositions of property in the normal course at the end of such property's useful life to the Local Borrower.

4. With respect to the Projects:

(i) The Local Borrower has entered into substantial binding obligations calling for the expenditure of at least 5% of the amount to be loaned to the Local Borrower pursuant to the Loan Agreement as amended by the Amendment.

(ii) Work on the Projects has commenced or will commence within six months after the date hereof and is expected to proceed with due diligence to its completion.

(iii) The Projects are expected to be substantially completed not later than three years from the date of the Loan Agreement, and all of the amounts loaned to the Local Borrower are expected to be used to pay costs of the Projects by that date.

5. On the date of the Loan Agreement the Local Borrower reasonably expected, and on the date hereof the Local Borrower reasonably expects, that not less than 95% of the amount loaned to the Local Borrower pursuant to the Loan Agreement as amended by the Amendment will be used to carry out the Governmental Purpose of such loan within the 3-year period beginning on the date hereof and not more than 50% of that portion of the amount loaned to the

Local Borrower will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more. The reasonable expectations stated above are not based on and do not take into account (i) 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 (ii) any prepayments of items other than items that are customarily prepaid.

6. If so directed by the Authority in writing, the Local Borrower will use, and will restrict the use and investment of, the Proceeds of the Loan in such manner and to such extent as may be necessary so that (i) the Authority Bonds will not (a) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149, respectively, or (b) be treated other than as obligations to which Section 103(a) applies, and (ii) the interest thereon will not be an item of tax preference under Section 57.

7. The reasonably expected economic life of the facilities being financed by the Loan taking into account the respective cost of such facilities is at least 20 years.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of September 1, 2005.

Pima County

By:   
Thomas Burke  
Finance Director

## Attachment A

### To Tax Compliance Certificate Of Local Borrower

#### DEFINITIONS

The following terms, as used in this Attachment A and in the Tax Compliance Certificate to which it is attached 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 this 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 Loan 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 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.

*"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 bond or note 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 Year"* means the annual period relevant to the application of Section 148(f) to the 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 the issue unless the issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

*"Capital Expenditure"* means costs of a type that are properly chargeable to capital account (or would be so chargeable with a proper election) under general federal income tax principles.

*"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.

*“Debt Service”* means principal of and interest and any redemption premium on an issue.

*“501(c)(3) Organization”* means an organization described in Section 501 (c)(3) and exempt from tax under Section 501 (a).

*“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 all issue.

*“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 of this Certificate, is more than one-eighth of one percentage point (.00125) higher than the Yield on the applicable 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 any financial, legal, administrative and other fees or costs incurred in connection with the issuance of all issue, including any underwriter’s compensation.

*“Issuance Date”* means the date of physical delivery of all issue in exchange for the purchase price of the issue.

*“Nonpurpose Investments”* means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of the 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.

*“Preliminary Expenditures”* means any Capital Expenditures that are preliminary expenditures, within the meaning of Regulations § 1.150-2(f)(2) or former Regulations § 1.103 1 8(i)(2), as applicable, 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 amount of Preliminary Expenditures may not exceed 20% of the aggregate issue price of the issue that financed or is reasonably expected to finance the project for which the preliminary expenditures are or were incurred.

*“Private Activity Bond”* means (a) obligations of an issue more than 5% of the Proceeds of which are or are to be used for a Private Business Use and more than 5% of the Debt Service on which 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 5% or more of the Proceeds of which are or are to be used to make or finance loans to any Private Person.

*“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, that is not a Governmental Unit and that is not acting solely and directly as an officer or employee of or on behalf of a Governmental Unit. “Private Person” includes the United States and any agency or instrumentality of the United States.

*“Proceeds”* means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue. “Proceeds” do not include Replacement Proceeds.

*“Qualified Administrative Costs”* means reasonable direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, record keeping, custody and similar costs. General overhead costs and similar indirect costs such as employee salaries and office expenses are not Qualified Administrative Costs.

*“Qualified 501(c)(3) Bonds”* means all issue of bonds 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 “qualified hedge” as defined in Regulations § 1.148-4(h)(2).

*“Regulations”* or “Reg.” means applicable Treasury Regulations.

*“Reimbursement Allocation”* means an allocation of the Proceeds of an issue for the Reimbursement of Prior Capital Expenditures that meets each of the following requirements: (a) is evidenced on the books or records of the issuer maintained with respect to the issue, (b) the allocation entry identifies either actual prior Capital Expenditures or the fund or account from which the prior Capital Expenditures were paid, and (c) evidences the issuer’s use of Proceeds of such issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of such issue.

*“Reimbursement of Prior Capital Expenditures”* means a Reimbursement Allocation of Proceeds of an issue to a Capital Expenditure paid prior to the Issuance Date of such issue that satisfies clause (a), (b) or (c), as appropriate.

(a) A Reimbursement Allocation satisfies clause (a) if:

The Reimbursement Allocation was made from Proceeds of an issue issued prior to March 3, 1992; and

(ii) The Capital Expenditure reimbursed was paid in anticipation of reimbursement from the Proceeds of obligations issued by a Governmental Unit.

(b) A Reimbursement Allocation satisfies clause (b) if the Reimbursement Allocation was made from Proceeds of an issue issued after March 2, 1992, and before July 1, 1993, and if it satisfies either subclause (i) or (ii).

(i) Subclause (i) is satisfied if:

(1) The Capital Expenditure reimbursed was paid after September 8, 1989, and before March 2, 1992;

(2) There is objective evidence that, at the time such Capital Expenditure was paid by the issuer (except Preliminary Expenditures), the issuer expected to reimburse such Capital Expenditure with Proceeds of a borrowing (whether taxable or tax-exempt);

(3) The expectation stated in subclause (2) was reasonable by being consistent with the budgetary and financial circumstances of the issuer (i.e., no funds from sources other than the Issue were, or were reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the issuer or any member of the same Controlled Group as the issuer pursuant to their budget or financial policies with respect to such Capital Expenditure);

(4) The Reimbursement Allocation occurred within one year after the later of the date on which such Capital Expenditure was paid or the date on which the property resulting from such Capital Expenditure was placed in service; and

(5) The reimbursed amounts were not used within one year after the date of the Reimbursement Allocation to (A) refund obligations issued by any Governmental Unit, (B) create or increase the balance in a sinking fund with respect to any obligation of the

issuer or to replace funds that have been, are being, or will be used for sinking fund purposes, (C) create or increase the balance in a reserve or replacement fund with respect to any obligation of the issuer, or to replace funds that have been, are being, or will be so used for reserve or replacement fund purposes, or (D) reimburse any person for any expenditure or payment that was originally paid with proceeds of any obligation of the issuer (other than an Internal borrowing from one of its own funds).

(ii) Subclause (ii) is satisfied if:

(1) Such Capital Expenditure was paid after March 1, 1992;

(2) On or before the date such Capital Expenditure was paid by the issuer (except Preliminary Expenditures), the issuer declared its reasonable intention to reimburse such Capital Expenditure with proceeds of a borrowing (whether taxable or tax-exempt) in a declaration of intent meeting the requirements of former Regulations § 1.103-18(f) or Regulations § 1.150-2(f)(2); and

(3) The requirements set forth in subclauses (i)(3), (4) and (5) of this clause (b) are met.

(c) A Reimbursement Allocation satisfies clause (c) if the Reimbursement Allocation was made from Proceeds of all issue issued after June 30, 1993, and either subclause (i) or (ii) is satisfied.

(i) Subclause (i) is satisfied if:

(1) The Capital Expenditure reimbursed was paid after September 8, 1989, and before March 2, 1992;

(2) There is objective evidence that, at the time the Capital Expenditure was paid by the issuer (except Preliminary Expenditures), the issuer expected to reimburse such Capital Expenditure with Proceeds of a borrowing (whether taxable or tax-exempt);

(3) The expectation stated in subclause (i)(2) was reasonable by being consistent with the budgetary and financial circumstances of the issuer; and

(4) The Reimbursement Allocation occurred or will occur within 18 months after the later of the date the original expenditure was paid or the date the project financed by such expenditure was placed in service or abandoned, but in no event more than three years after the original expenditure was paid.

(ii) Subclause (ii) is satisfied if:

(1) The Capital Expenditure was paid after March 1, 1992;

(2) Within 60 days after payment of the original expenditure (except Preliminary Expenditures), the issuer adopted an official intent for the original expenditure that satisfies Regulations § 1.150-2(e); and

(3) The Reimbursement Allocation occurred or will occur within 18 months after the later of the date the original expenditure was paid or the date the project financed by such expenditure was placed in service or abandoned, but in no event more than three years after the original 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 that issue) replaced by Proceeds of that issue under Section 148(a)(2). Replacement Proceeds include amounts, other than Proceeds, held in a sinking fund, pledged or reserve or replacement fund for the 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.

*“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 and all payments for a Qualified Guarantee, if any, 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 all the Issue Prices during the 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).

The terms advance refunding, “current refunding,” “bond,” “obligation,” “reasonable retainage,” “reasonably required reserve or replacement fund,” “reserve or replacement fund,” “loan,” “sinking fund,” “multipurpose issue,” “purpose investment,” “variable yield obligation,” “yield reduction payment,” “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.

EXHIBIT C TO AMENDMENT NO. 1 TO LOAN AGREEMENT NO. 910064-04  
SUPPLEMENTAL OPINION OF PIMA COUNTY ATTORNEY'S OFFICE

September 1, 2005

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Ladies and Gentlemen:

The attorneys of this office are admitted to practice in the State of Arizona and have acted as counsel to Pima County, a political subdivision of the State of Arizona (the "Local Borrower"), which has entered into a Loan Agreement, dated May 11, 2004 (the "2004 Loan Agreement") with the Water Infrastructure Finance Authority of Arizona (the "Authority") and Amendment No. 1 to Loan Agreement, dated September 1, 2005 (the "2005 Loan Amendment" and, together with the 2004 Loan Agreement, the "Loan Agreement"), and have acted as such in connection with the authorization, execution and delivery by the Local Borrower of the Loan Agreement.

In so acting this office has examined the Constitution and laws of the State of Arizona and has also examined originals, or copies certified or otherwise identified to our satisfaction, of the following:

- (a) the 2004 Loan Agreement and the 2005 Loan Amendment;
- (b) proceedings of the governing board of the Local Borrower relating to the approval of the Loan Agreement and the execution, issuance and delivery thereof on behalf of the Local Borrower, and the authorization of the undertaking and completion of the Project (as defined in the Loan Agreement); and
- (c) proceedings relating to the election held on May 20, 1997 and related proceedings of the governing board of the Local Borrower on the question of authorizing the obligations of the Local Borrower which are being financed pursuant to the Loan Agreement;

Except as qualified herein, this office has also examined and relied upon originals, or copies certified otherwise authenticated to our satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in our judgment we deemed necessary or appropriate to enable us to render the opinions expressed below.

Based upon the foregoing, we are of the opinion that:

1. To the best of my knowledge, after such investigation as I have deemed appropriate, the authorization, execution and delivery of the Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions contemplated therein and the undertaking and completion of the Project do not and will not contravene any existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or governmental or administrative agency, authority or person having jurisdiction over the Local Borrower or its property or assets or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing trust agreement, indenture, mortgage, deed of trust or other agreement to which the Local Borrower is a party or by which it, the System (as defined in the Loan Agreement) or its property or assets is bound.

2. To the best of my knowledge, after such investigation as I have deemed appropriate, there is no litigation or other proceeding pending or threatened in any court or other tribunal of competent jurisdiction (either State or Federal) questioning the creation, organization or existence of the Local Borrower or the validity, legality or enforceability of the Loan Agreement, or the undertaking or completion of the Project.

This opinion is rendered on the basis of Federal law and the laws of the State of Arizona as enacted and construed on the date hereof. I express no opinion as to any matter not set forth in the numbered paragraphs herein.

I hereby authorize Squire, Sanders & Dempsey L.L.P., as Special Counsel, to rely on this opinion as if I had addressed this opinion to them in addition to you.

Very truly yours,

PIMA COUNTY ATTORNEY

By: \_\_\_\_\_  
Deputy County Attorney

**LOAN AGREEMENT STANDARD TERMS AND CONDITIONS**

**Water Infrastructure Finance Authority of Arizona**

**Clean Water Revolving Fund Loan Program**

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## LOAN AGREEMENT STANDARD TERMS AND CONDITIONS

Water Infrastructure Finance Authority of Arizona

Clean Water Revolving Fund Loan Program

This document sets forth Standard Terms and Conditions applicable to Loans made by the WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (the "Authority") from the Clean Water Revolving Fund to a Local Borrower. These Standard Terms and Conditions are a part of the Loan Agreement to which this document is attached. Certain terms used are defined in ARTICLE 7.

### ARTICLE 1 PARTICULAR COVENANTS OF THE LOCAL BORROWER

Section 1.1 Unconditional Obligations. The obligation of the Local Borrower to make the Loan Repayments and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part described herein are payable solely from the Source of Repayment described in this Loan Agreement and shall be absolute and unconditional and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any payments hereunder remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or the System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision or either or in the rules or regulations of any governmental authority, any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project or this Loan Agreement, or any rights or set-off, recoupment, abatement or counterclaim that the Local Borrower might otherwise have against the Authority or any other party or parties; provided, however, that payments under this Loan Agreement shall not constitute a waiver of any such rights. The Local Borrower shall not be obligated to make any payments required to be made by any other local borrowers under separate loan agreements or local borrower bonds. Notwithstanding any other provision of this Section 1.1, or this Loan Agreement, neither the Authority, nor any assignee of the Authority shall have the right or ability to compel the repayment of this Loan Agreement from any source other than the Source of Repayment.

Section 1.2 Disclaimer of Warranties and Indemnification. The Local Borrower acknowledges and agrees that (i) the Authority makes no warranty or representation, either express or implied as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the System or the Project or any portions thereof or any other warranty or representation with respect thereto; (ii) in no event shall the Authority or its respective agents be liable or responsible for any direct, incidental, indirect, special or consequential damages in connection with or arising out of this Loan Agreement or the Project or the existence, furnishing, functioning or use of the System or the Project; and (iii) to the extent permitted by law, the Local Borrower shall indemnify, save and hold harmless the Authority

against any and all claims, damages, liability and court awards including costs, expenses and attorney fees incurred as a result of any gross negligence or willful misconduct by the Local Borrower, or its employees, agents or subcontractors pursuant to the terms of this Loan Agreement, provided however that the provisions of this clause (iii) are not intended to and shall not be construed as a waiver of any defense or limitation on damages provided for under and pursuant to the laws of the United States or of the State.

**Section 1.3 Loan Repayments; Prepayments; Adjustments; Late Charges**

(a) The Local Borrower may prepay the Loan Repayments in whole or in part only upon receipt of the prior written approval of the authority and only in conformance with such terms and conditions as the Authority, in its sole discretion, may require.

(b) Upon the final disbursement, if the Loan is less than the estimated Eligible Project Costs, the amount of each Principal Installment due as set forth in the Loan Repayment Schedule contained in Exhibit A shall be adjusted pro rata. Upon such adjustment, the Authority shall compute the adjusted interest amounts for each monthly period to reflect the adjusted principal amounts and shall enter the results in the Loan Repayment Schedule.

(c) The Local Borrower shall not be entitled to repay principal before the date such principal payment is due without the consent of the Authority. If the Local Borrower makes prepayments of Loan Repayments, the amount of each Principal Installment Due as set forth in the Loan Repayment Schedule contained in Exhibit A shall be adjusted pro rata in accordance with guidance from the Local Borrower, provided that the Local Borrower shall not receive credit for prepayments of principal without consent of the Authority. Upon such adjustment, the Authority shall compute the adjusted interest amounts for each monthly period to reflect the adjusted principal amounts and shall enter the results in the Loan Repayment Schedule.

(d) Each payment made as Loan Repayment as described in subsection (c) shall be applied first to the interest then due and payable on the Loan and then to the principal amount of the Loan.

(e) In addition to the other payments required by this Section, the Local Borrower shall pay a late charge for any payment that is received by the Authority later than the tenth (10) day following its due date, in an amount equal to six percent (6%) per annum on such late payment from its due date to the date it is actually paid; provided, however, that the interest rate payable on the Loan including such late charge shall not be in excess of the maximum rate permitted by the Authorizing Proceedings which authorized this Loan Agreement.

**Section 1.4 Source of Payment of Local Borrower's Obligations.** The Authority and the Local Borrower agree that the amounts payable by the Local Borrower under this Loan Agreement are payable solely from the Source of Repayment described in this Loan Agreement and are not payable from any other source whatsoever.

**Section 1.5 Performance Under Loan Agreement.** The Local Borrower covenants and agrees (a) to maintain the System in good repair and operating condition; (b) to cooperate with the Authority to the extent it may lawfully do so, in the observance and performance of the respective duties, covenants, obligations and agreements of such Local Borrower and the

Authority under this Loan Agreement; and (c) to comply with the covenants set forth in this Loan Agreement.

Section 1.6 Completion of Project and Provision of Moneys Therefor. The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 1.7 Operation and Maintenance of System. The Local Borrower covenants and agrees that it shall, in accordance with prudent utility practice, (a) at all times operate the properties of the System and any business in connection therewith in an efficient manner, (b) maintain the System in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted; provided, however, this covenant shall not be construed as requiring the Local Borrower to expend any funds which are derived from sources other than the Source of Repayment, and provided further that nothing herein shall be construed as preventing the Local Borrower for doing so.

Section 1.8 Additions and Modifications. The Local Borrower may make any additions, modifications or improvements to the System which it deems desirable and which do not material reduce the operational integrity of any part of the System. All such renewals, replacements, additions, modifications and improvements shall become a part of the System.

Section 1.9 Records; Accounts. The Local Borrower shall keep accurate records and accounts for the System, including the Project (the "System Records"), separate and distinct from its other records and accounts (the "General Records"). Such System Records shall be maintained in accordance with generally accepted government or other applicable accounting standards and shall be audited annually by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. Such System Records and General Records shall be made available for inspection by the Authority at any reasonable time, and a copy of annual financial statements, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and the Single Audit Act of 1984 and any applicable Arizona rules, shall be furnished to the Authority within 180 days of the close of the fiscal year being so audited.

Section 1.10 Inspections; Information. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 1.11 Insurance. The Local Borrower shall maintain or cause to be maintained in force, insurance policies with responsible insurers or self-insurance programs or through membership in a risk retention pool, including, but not limited to, the Arizona Municipal Risk Retention Pool (in accordance with the Local Borrower's customary practices) providing against risk of direct physical loss, damage or destruction of the Project and the System, at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining system facilities of the nature of the System, including liability coverage, all to the extent available at reasonable cost.

Section 1.12 Notice of Material Adverse Change. The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise) of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 1.13 Loan Terms and Conditions; Adjustments for Ineligible Costs. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act or the Federal Water Pollution Control Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be promptly repaid to the Authority, with interest upon the amount of the reimbursement from the date of receipt by the Local Borrower of the disallowed amount to the date of repayment at the rate equal to the Authority's cost of funds, upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 1.14 Construction Bids; Plans and Specifications. The construction contracts with respect to the Project shall be submitted for review and approval by the Authority. Change orders relating to Eligible Project Costs which affects the Project performance standards or which increases or decreases the contract amount or which alters the Project purpose shall be submitted for review by the Authority's Technical Coordinator.

Section 1.15 User Charges. The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. Prior to advertising for bids for construction of the Project, the user charge system shall have received any required prior approvals. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacements, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 1.16 Plan of Operation. The Local Borrower will submit to the Department and to the Authority the construction plans and specifications, a preliminary plan of operation, which

provides a concise, sequential description of an implementation schedule for those activities necessary to assure efficient and reliable start-up and continual operation of the Project. After construction is 50% complete, the Local Borrower will submit a final plan of operation. The Local Borrower agrees to implement the approved plan of operation.

Section 1.17 Final Approval. Prior to the release of the withholding the Local Borrower will submit to the Authority Arizona Department of Environmental Quality (ADEQ) approval of construction or an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, ADEQ and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

Section 1.18 Interest in Project Site. As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 1.19 Archaeological Artifacts. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office, and the Authority of such discovery.

Section 1.20 Federal Water Pollution Control Act. The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the federal Water Pollution Control Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed at the end of these Standard Terms and Conditions.

Section 1.21 Disposition of Project and System.

(a) The Local Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System except upon compliance with the provisions of this Section; provided, however that the requirements of this Section shall not apply to transactions which are capital leases within the meaning of generally accepted accounting principles to finance expansion or improvement of the System and under which the Local Borrower retains a purchaser's interest or other beneficial ownership, use, possession and control of the System so long as no default exists.

(b) The Local Borrower may sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System if the Local Borrower shall give at least ninety (90) days prior written notice to the Authority of the proposed transaction, and the Authority gives its written consent. The Local Borrower understands that

the Authority, in determining whether or not to give its consent, must determine that the proposed transaction will not adversely affect the Authority's ability to meet its duties, covenants, obligations and agreements or conditions of any grant received by the Authority or the State from the United States of America, which is related to the Capital Grant Facility (defined in the Standard Terms and Conditions) or any capitalization grant received by the Authority or the State under the federal Water Pollution Control Act, as amended.

(c) Notwithstanding the provisions of subsection (b) above, the Local Borrower may sell, lease or otherwise dispose of, any of the property comprising part of the System, other than the Project, in either of the following circumstances:

(i) If the Local Borrower determines that such property is not necessary, useful or profitable to the operation of the System; or

(ii) If the value of such property sold, leased or otherwise disposed of in any one year is equal to not more than 5% of the value of the fixed assets of the System.

Section 1.22 MBE, WBE, SBRA Monitoring and Reporting. Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Small Business Enterprise in a Rural Area (SBRA) reporting is a requirement for contracts that are funded in whole, or in part, by Authority monies. If a contract is awarded pursuant to this Loan Agreement the Local Borrower shall be bound to supply the required reports to the Authority. Failure to do so may result in delay or payments to contractor and/or termination of contract. Guidance for completing the required reports will be supplied to the Local Borrower by the Authority.

Section 1.23 Signs. If required by the Authority, the Local Borrower shall include on any signs erected on the Project, information regarding the funding source for the Project. The Authority shall provide specifications for such information.

Section 1.24 No Liens. Except for (i) debt service on any future bonds, notes or other evidence of indebtedness of the Local Borrower issued or contractual obligations incurred in accordance with this Loan Agreement payable from the funds pledged to the payment of this Loan Agreement which are equal to the lien and charge on the funds so pledged to pay this Loan Agreement and (ii) the debt service on currently outstanding bonds, notes or evidences of indebtedness or contractual obligations of the Local Borrower, if any, payable from the Source of Repayment described in this Loan Agreement which the Local Borrower has disclosed to the Authority in writing, the funds so pledged as described in this Loan Agreement after the payment of all costs of operating and maintaining the System, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the obligation of the Local Borrower to pay this Loan Agreement, and all corporate or other action on the part of the Local Borrower to that end has been and will be duly and validly taken.

Section 1.25 Financial Reporting Requirements. Annual financial statements shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower in a format approved by the Authority.

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**ARTICLE 2  
REPRESENTATIONS OF LOCAL BORROWER**

The Local Borrower represents for the benefit of the Authority that the representations contained in this Loan Agreement are true at the time of execution and delivery of this Loan Agreement and will be true at all times during the term of this Loan Agreement:

**Section 2.1 Organization and Authority.**

2.1.1 The Local Borrower is a Political Subdivision or Indian Tribe as defined in the Authority Act.

2.1.2 The Local Borrower has full legal right and authority and has, or will obtain as and when required, all necessary licenses and permits required to acquire, own, operate and maintain the Project and the System, to carry on its activities relating thereto, to execute and deliver this Loan Agreement, to undertake and complete the Project, to pledge the Source of Repayment, and to carry out and consummate all transactions contemplated by this Loan Agreement. The Project is a project which the Local Borrower may undertake pursuant to State law and for which the Local Borrower is authorized by law to borrow money.

2.1.3 The proceedings of the Local Borrower's governing body approving this Loan Agreement and authorizing its execution, issuance and delivery on behalf of the Local Borrower, and authorizing the Local Borrower to undertake and complete the Project have been duly and lawfully adopted in accordance with the laws of the State.

2.1.4 This Loan Agreement has been duly authorized, executed and delivered by an Authorized Officer of the Local Borrower; and, assuming that the Authority has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered this Loan Agreement, this Loan Agreement constitutes a legal and valid obligation of the Local Borrower enforceable in accordance with its terms, and the information contained under "Description of the Loan" in this Loan Agreement is true and accurate in all material respects.

**Section 2.2 Full Disclosure.** To the best of the Local Borrower's knowledge, there is no fact that the Local Borrower has not disclosed to the Authority in writing that materially adversely affects the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the System, or the ability of the Local Borrower to make all Loan Repayments due hereunder and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

**Section 2.3 Pending Litigation.** There are no proceedings pending, or to the knowledge of the Local Borrower, threatened, against or affecting the Local Borrower, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the System, or the ability of the Local Borrower to make all Loan Repayments and other wise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement that has not been disclosed in writing to the Authority in the Local Borrower's application for the Loan or otherwise.

**Section 2.4 Compliance with Existing Laws and Agreements.** The authorization, execution and delivery of this Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements hereunder and the consummation of the transactions provided for in this Loan Agreement, the compliance by the Local Borrower with the provisions of this Loan Agreement and the undertaking and completion of the Project will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Local Borrower pursuant to any existing ordinance or resolution, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument (other than the lien and charge of this Loan Agreement and any ordinance or resolution or indenture which authorized outstanding obligations of the Local Borrower which are on a parity with this Loan Agreement as to lien on, or source and security for, payment thereon from the source of payment that is pledged to the Loan Repayments) to which the Local Borrower is a party or by which the Local Borrower, the System or any of its property or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Local Borrower was established or any laws, ordinances, resolutions, governmental rules, regulations or court orders to which the Local Borrower, the System or its properties or operations are subject.

**Section 2.5 No Defaults.** No event has occurred and no condition exists that, upon authorization, execution and delivery of this Loan Agreement or receipt of the amount of the Loan, would constitute an Event of Default hereunder. The Local Borrower is not in violation of, and has not received notice of any claimed violation of, any term of any agreement or other instrument to which it is a party or by which it may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the ability of the Local Borrower to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

**Section 2.6 Governmental Consent.** The Local Borrower has or will have obtained prior to the date of the Loan Closing all permits and approvals required to date by any governmental body or officer (and reasonably expects to receive all permits required in the future by any governmental agency) for the making, observance and performance by the Local Borrower of its duties, obligations and agreements under this Loan Agreement or for the undertaking or completion of the Project and the financing thereof, and the Local Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Local Borrower of its duties, covenants, obligations, and agreements under this Loan Agreement or with the undertaking or completion of the Project and the financing thereof; and the Local Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Local Borrower of its duties, covenants, obligations and agreements under this Loan Agreement or with the undertaking or completion of the Project and the financing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental body or officer, other than those already obtained or reasonably expected to be obtained, is required on the part of the Local Borrower as a condition to the authorization, execution and delivery of this Loan

Agreement, the undertaking or completion of the Project or the consummation of any transaction herein contemplated.

**Section 2.7 Compliance with Law. The Local Borrower:**

2.7.1 is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, the failure to comply with would materially adversely affect the ability of the Local Borrower to conduct its activities or undertake or complete the Project or the condition (financial or otherwise) of the Local Borrower or the System; and

2.7.2 has obtained, or will obtain as and when required, all licenses, permits, franchises or other governmental authorizations necessary for the ownership of its property or for the conduct of its activities which, if not obtained, would materially adversely affect the ability of the Local Borrower to undertake or complete the Project or the condition (financial or otherwise) of the Local Borrower or the System.

**ARTICLE 3  
ASSIGNMENT**

**Section 3.1 Assignment and Transfer by Authority. The Local Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement that the Authority deems to be necessary in connection with the Clean Water Revolving Fund program of the Authority.**

**Section 3.2 Assignment by Local Borrower. This Loan Agreement may not be assigned by the Local Borrower for any reason, unless the following conditions shall be satisfied: (i) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Internal Revenue Code or another entity acceptable to the Authority and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Local Borrower's duties, covenants, agreements and obligations hereunder; (ii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Borrower hereunder; and (iii) the Authority shall receive an opinion of counsel to the effect that such assignment will not violate the provisions of any agreement entered into by the Authority with, or condition of any grant received by the Authority from the United States of America relating to the Capital Grant Facility or any capitalization grant received by the Authority or the State under the federal Water Pollution Control Act.**

No assignment shall relieve the Local Borrower from primary liability for any of its obligations under this Loan Agreement and in the event of such assignment, the Local Borrower shall continue to remain primarily liable for the performance and observance of its obligations to be performed and observed under this Loan Agreement.

**ARTICLE 4  
DEFAULTS AND REMEDIES**

**Section 4.1 Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default":**

4.1.1 failure by the Local Borrower to pay, or cause to be paid, when due any Loan Repayment;

4.1.2 failure by the Local Borrower to make, or cause to be made, any required payments of principal of, redemption premium, if any, and interest on any bonds, notes or other obligations of the Local Borrower for borrowed money (other than the Loan), after giving effect to the applicable grace period, the payments of which are secured by the Source of Repayment described in this Loan Agreement;

4.1.3 failure by the Local Borrower to pay, or cause to be paid, the Debt Management Fee or any portion hereof when due or to perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraphs 4.1.1 and 4.1.2 of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Local Borrower by the Authority, unless the Authority agrees in writing to an extension of such time prior to its expiration, provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period the Authority may not reasonably withhold its consent to an extension of such time if corrective action is instituted by the Local Borrower and diligently pursued until the Event of Default is corrected;

4.1.4 the institution of any proceeding, with the acquiescence of the Local Borrower, for the purpose of effecting a composition between the Local Borrower and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from the Source of Repayment described in this Loan Agreement;

4.1.5 a determination that any material representation made by or on behalf of the Local Borrower contained in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement, is false or misleading in any material respect; and

4.1.6 the filing of a petition by or against the Local Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the Local Borrower such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal; or the Local Borrower becoming insolvent or bankrupt or making an assignment for the benefit of its creditors; or the appointment of a Custodian (including, without limitation, a receiver, liquidator or trustee of the Local Borrower or any of its property including the System) by court order, or possession of the Local Borrower or its property or assets is taken if such possession continues for more than thirty (30) days.

Section 4.2 Notice of Default. The Local Borrower shall give the Authority prompt telephone notice of the occurrence of any Event of Default referred to in Section 4.1.3 hereof, and of the occurrence of any other event or condition that constitutes an Event of Default at such time as any senior administrative or financial officer of the Local Borrower becomes aware of the existence thereof. Any telephone notice pursuant to this Section shall be conformed in writing by the end of the next Business Day.

**Section 4.3 Remedies on Default.**

4.3.1 Whenever an Event of Default referred to in Section 4.1 hereof shall have occurred and be continuing, the Authority shall have the right to take any action permitted or required pursuant to this Loan Agreement and to take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due at their scheduled payment dates or to enforce the performance and observance of any duty, covenant, obligation or agreement of the Local Borrower hereunder, including, without limitation, appointment of a receiver of the System.

4.3.2 Nothing in this Loan Agreement shall be construed to effect the Attorney General taking action to enforce this Loan Agreement in accordance with the Act.

**Section 4.4 Attorney's Fees and Other Expenses.** In the event of a default hereunder by the Local Borrower, the Local Borrower shall on demand pay to the Authority the reasonable fees and expenses of attorneys and other reasonable expenses (including without limitation the reasonably allocated costs of in-house counsel and legal staff) incurred by the Authority in the collection of Loan Repayments or any other sum due hereunder or in the enforcement of performance or observance of any other duties, covenants, obligations or agreements of the Local Borrower.

**Section 4.5 Application of Moneys.** The parties acknowledge that: (a) all amounts coming due hereunder as Loan Repayments shall be treated as principal and interest with respect to the Loan which amounts are secured on a parity with the principal of and interest on all Additional Parity Obligations secured by a pledge of the Source of Repayment in accordance with this Loan Agreement ("Parity Debt Service"); and (b) amounts coming due as Debt Management Fees and under Section 4.4 hereof shall be secured by the Source of Repayment on a basis subordinate to the Loan Repayments and Parity Debt Service, but on a parity with comparable expenses relating to such Additional Parity Obligations.

However, any moneys collected by the Authority pursuant to Section 4.3 in the exercise of remedies with respect to amounts due or to become due hereunder shall be applied to: (a) first, to pay any attorney's fees or other fees and expenses owed by the Local Borrower pursuant to Section 4.4 hereof, (b) second, to pay delinquent interest and late charges on the Loan; (c) third, to pay interest then due and payable on the Loan; (d) fourth, to pay delinquent principal on the Loan in order of scheduled maturity; (e) fifth, to pay principal then due and payable on the Loan; (f) sixth, to pay Debt Management Fees due; and (g) seventh, to pay any other amounts due and payable under this Loan Agreement.

**Section 4.6 No Remedy Exclusive; Waiver; Notice.** No remedy conferred upon or reserved to the Authority hereunder is intended to be exclusive, 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. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to

exercise any remedy reserved to it as described in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 4.7 Retention of Authority's Rights. Notwithstanding any assignment or transfer of this Agreement pursuant to the provisions hereof, or anything else to the contrary contained herein, the Authority shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the Local Borrower at law or in equity, as the Authority may, in its discretion, deem necessary to enforce the obligations of the Local Borrower to the Authority.

Section 4.8 Default by the Authority. In the event of any default by the Authority under any duty, covenant, agreement or obligation described in this Agreement, the Local Borrower's remedy for such default shall be limited to Injunction, special action, action for specific performance or any other available equitable remedy designed to enforce the performance or observance of any duty, covenant, obligation or agreement of the Authority described herein as may be necessary or appropriate. The Authority shall on demand pay to the Local Borrower the reasonable fees and expenses of attorneys and other reasonable expenses in the enforcement of such performance or observance.

## ARTICLE 5 PROVISIONS APPLICABLE TO LOANS FINANCED BY AUTHORITY BONDS

Section 5.1 General. The Local Borrower acknowledges that the Authority is entering into this Loan Agreement and agreeing to make the Loan at this time for the benefit of the Local Borrower, and that the Authority may finance the Loan, along with other loans to other local borrowers, through the issuance of Authority Bonds. If and for so long as the Authority's source of funds to make disbursements on, or to carry, the Loan represented by this Loan Agreement is, or becomes, the proceeds of Authority Bonds, and this Loan Agreement is assigned by the authority as security for payment of amounts due or to become due on Authority Bonds, the Local Borrower agrees to cooperate with the Authority with respect to the issuance of Authority Bonds by furnishing and certifying information concerning the Local Borrower, the Project, the System and the Source of Repayment, and by agreeing to modifications and additions to this Loan Agreement necessary or convenient for the Authority Bond transaction. Without limiting the generality of the foregoing, the Local Borrower agrees that if the Authority at any time determines, in its discretion, that it is necessary in connection with the issuance of Authority Bonds or the maintenance of the Authority's bond program, then the provisions set forth in this Article shall be in effect.

Section 5.2 Third Party Beneficiaries. The Trustee, the owners from time to time of the Authority Bonds, any Credit Enhancer from time to time of the Authority Bonds and any underwriter of the Authority Bonds are each expressly acknowledged to be third party beneficiaries of this Loan Agreement and each representation, agreement, duty, obligation and provision of this Loan Agreement.

Section 5.3 Additional Documents Relating to Authority Bonds. The Local Borrower will furnish and certify to such information and execute and deliver and cause to be executed and

delivered such documents as the Authority, the underwriter or other parties to the Authority Bond transaction may reasonably require, including, without limitation:

(i) a certificate of an Authorized Officer of the Local Borrower to the effect that the information contained in the Final Official Statement (defined in Section 5.4.1 below) for the Authority Bonds concerning the Local Borrower is correct in all material respects and is an accurate summary of the information which it purports to summarize and that nothing has come to the signer's attention that would lead the signer to believe that the information relating to the Local Borrower contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(ii) a continuing disclosure undertaking of the Local Borrower meeting the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Disclosure Rule"), and a statement of the Local Borrower as to whether it has failed to provide all information and notices required by the provisions of previous continuing disclosure undertakings, if any, of the Local Borrower under the Disclosure Rule, and if it has not, describing the circumstances and status of such failure; and

(iii) if the Authority Bonds are issued and sold on the basis that they are Tax-Exempt Bonds, an appropriate certificate executed by Authorized Officer of the Local Borrower concerning the reasonable expectations of the Local Borrower as to the use of the proceeds of the Loan and such other matters as may be required on the part of the Local Borrower in order to ensure that the Authority Bonds are and will remain Tax-Exempt Bonds, and the Local Borrower covenants to comply with the provisions of such certificate; and

(iv) such other certificates, documents and information, and supplemental opinions of Local Borrower's counsel, as the Authority, the underwriters of the Authority Bonds or other parties to the Authority Bonds transaction may reasonably require and as are necessary to confirm the continued truth and accuracy of information supplied by or on behalf of the Local Borrower.

#### Section 5.4 Disclosure Regarding Authority Bonds.

5.4.1 The information relating to the Local Borrower (including without limitation the financial and statistical data contained therein) which has been furnished by the Local Borrower to be included in, and which is included in, a Preliminary Official Statement of the Authority (the "Preliminary Official Statement"), or a final Official Statement (the "Final Official Statement") of the Authority concerning any Authority Bonds, as of the respective dates of each such document and at all times subsequent thereto up to and including the Bond Closing, will be (if necessary by amendment provided by the Local Borrower) true and correct and will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. To the extent permitted by law, and notwithstanding any other provision of this Loan Agreement, the Local Borrower will indemnify, save and hold harmless the Authority and each other local borrower, if any, included in the Final Official Statement, and each of such

parties' respective agents, for, from and against any and all claims, damages liability and court awards including costs, expenses and attorneys fees incurred as a result of any omission or misstatement of a material fact in the Local Borrower's information in the Final Official Statement, as it may have been supplemented or amended by the Local Borrower.

5.4.2 The Local Borrower agrees that from the date of the Preliminary Official Statement and for a period until not later than 25 days after the date of the Bond Closing if an so long as the offering of the Authority Bonds continues (i) the Local Borrower will furnish such information with respect to itself as the Authority (for itself or at the request of the underwriters of the Authority Bonds) may from time to time reasonably request and (ii) if any event shall occur as a result of which it is necessary, in the opinion of Bond Counsel to the Authority, or counsel for the underwriters of the Authority Bonds, to amend or supplement the information in the Final Official Statement relating to the Local Borrower in order to make such information not misleading in light of the circumstances then existing, the Local Borrower will forthwith prepare, and furnish to the Authority and the underwriters such information relating to the Local Borrower as may be necessary to permit the preparation of an amendment of or supplement to the Final Official Statement (in form and substance satisfactory to the Bond Counsel to the Authority and counsel for the underwriters) which will amend or supplement the Final Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances then existing, not misleading.

5.4.3 The Local Borrower agrees that if prior to the 25<sup>th</sup> day following the "end of the Underwriting period" of the Authority Bonds as defined for purposes of the Disclosure Rule any event shall occur which causes the representations contained in Section 5.4.1 to be false in any material respect, the Local Borrower shall promptly notify the Authority of such development, and if the opinion of the Authority and the underwriters of the Authority Bonds such development requires the preparation of a supplement or an amendment to the Preliminary Official Statement or the Final Official Statement, the Local Borrower agrees to cooperate with the Authority and the underwriters for the Authority Bonds in preparing any such supplement or amendment in a form acceptable to such parties and to pay all expenses incurred by such parties in connection with the preparation thereof.

#### Section 5.5 Assignment and Transfer by Authority to Trustee.

5.5.1 The Local Borrower expressly acknowledges that, other than amounts equal to Debt Management Fees payable by the Local Borrower and the right, title and interest of the Authority to be indemnified by the Local Borrower, all right, title and interest of the Authority in, to, and under this Loan Agreement will be assigned to the Trustee as security for the Authority Bonds, as applicable, as provided in the Master Trust Indenture, and that if any Event of Default shall occur the Trustee, pursuant to the Master Trust Indenture, shall be entitled to act hereunder in the place and stead of the Authority. The Local Borrower hereby acknowledges the requirements of the Master Trust Indenture applicable to the Authority Bonds and consents to such assignment and appointment. The Authority shall retain the right to compel or otherwise enforce observance and performance by the Local Borrower of its duties, covenants, obligations and agreements to pay Debt Management Fees and to be indemnified by the Local

Borrower, provided, however, that in no event shall the Authority have the right to accelerate the payments under this Loan Agreement.

5.5.2 The Local Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement that the Authority deems to be necessary in connection with any refunding of the Authority Bonds or otherwise in connection with the Clean Water Revolving Fund program of the Authority.

**Section 5.6 Conditions to Assignment by Local Borrower.** Notwithstanding Section 3.2, this Loan Agreement may not be assigned by the Local Borrower for any reason, unless the following conditions shall be satisfied: (i) the Authority, the Trustee and the Credit Enhancer, if any, of the Authority Bonds shall have approved said assignment in writing; (ii) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Internal Revenue Code or another entity acceptable to the Authority and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Local Borrower's duties, covenants, agreements and obligations hereunder; (iii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Borrower hereunder; (iv) if the Authority Bonds were issued and sold on the basis of being Tax-Exempt Bonds, the Authority and the Trustee shall have received an opinion of counsel to the effect that such assignment will not adversely affect the exclusion of interest on the Authority Bonds from gross income for purposes of Federal income taxation under Section 103(a) of the Code; and (v) the Authority and the Trustee shall receive an opinion of counsel to the effect that such assignment will not violate the provisions of the Master Trust Indenture or any agreement entered into the by Authority with, or condition of any grant received by the Authority from, the United States of America relating to the Capital Grant Facility or any capitalization grant received by the Authority or the State under the federal Water Pollution Control Act.

No assignment shall relieve the Local Borrower from primary liability for any of its obligations under this Loan Agreement and in the event of such assignment, the Local Borrower shall continue to remain primarily liable for the performance and observance of its obligations to be performed and observed under this Loan Agreement.

**Section 5.7 Sale or Other Disposition of Project or System.** The Local Borrower agrees that it will not sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System unless (i) the transferee assumes the Local Borrower's obligations under this Loan Agreement in accordance with Section 5.5, (ii) the Authority shall be appropriate action determine, in its duties, covenants, obligations and agreements under the Bond Documents, and will not adversely affect the eligibility of interest on Authority Bonds then outstanding or which could be issued in the future for exclusion from gross income for purposes of federal income taxation and (iii) the Credit Enhancer, if any, of the Authority Bonds shall have given its prior written consent to such disposition.

**Section 5.8 Deficiencies Under Bond Documents Caused by Failure to Make Loan Repayment.** The Local Borrower acknowledges that payment of the Authority Bonds by the Authority, including payment from moneys drawn by the Trustee from the Bond Reserves or the CWRP Financial Assistance Account established under the Bond Documents, does not constitute

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payment of the amounts due under this Loan Agreement. If at any time the amounts on deposit in the Bond Reserves or the CWRD Financial Assistance Account shall be less than the amounts required by the Bond Documents as the result of any transfer of moneys from the Bond Reserves or the CWRD Financial Assistance Account which in turn is the result of a failure by the Local Borrower to make any Loan Repayments required hereunder, the Local Borrower agrees to (i) replenish such moneys so transferred, and (ii) replenish any deficiency arising from losses incurred in making such transfer as the result of the liquidation by the Authority of investment securities acquired as all investment of moneys in the Bond Reserves or the CWRD Financial Assistance Account, by making payments to the Authority in equal monthly installments for the lesser of six (6) months or the remaining term of the Loan at an interest rate to be determined by the Authority necessary to make up any loss caused by such deficiency, provided that the interest rate payable on the Loan including such make-up interest shall not exceed the maximum rate permitted by the Authorizing Proceedings which authorized this Loan Agreement.

**Section 5.9 Indemnification.** The Local Borrower expressly acknowledges, that, other than the right, title and interest of the Authority to be indemnified by the Local Borrower, all right, title and interest of the Authority in, to and under this Loan Agreement may be assigned to the Trustee as security for the Authority Bonds, as provided in the Bond Documents, and that if any Event of Default shall occur the Trustee, pursuant to the Bond Documents, shall be entitled to act hereunder in the place and stead of the Authority. The Local Borrower consents to such assignment and appointment. The Authority shall retain the right to be indemnified by the Local Borrower; provided, however, that in no event shall the Authority have the right to accelerate the payments under this Loan Agreement.

**Section 5.10 Compliance with Master Trust Indenture.** The Local Borrower covenants and agrees to take such action as it may lawfully take and as the Authority shall reasonably request so as to enable the Authority to observe and comply with, all duties, covenants, obligations and agreements contained in the Master Trust Indenture insofar as such duties, covenants, obligations and agreements relate to the obligations of the Local Borrower under this Loan Agreement.

**Section 5.11 Provisions Relating to Default.**

5.11.1 Any notice or information which the Local Borrower is to give to the Authority pursuant to the provisions of ARTICLE 4 shall also be given by the Local Borrower to the Trustee and to any Credit Enhancer at the same time.

5.11.2 Notwithstanding the provisions of Section 4.3.1 and Section 4.7, so long as a Credit Enhancer is not in default of its obligations with respect to its payment guarantee of the Authority Bonds and such guarantee is in effect, the Credit Enhancer shall have the right to direct the exercise of remedies provided for herein and the Trustee and the Authority shall not pursue any remedy except with the prior written consent of the Credit Enhancer.

5.11.3 In the event of a default hereunder by the Local Borrower, the Local Borrower shall also pay the expenses of the Trustee and of any Credit Enhancer in the same manner as provided in Section 4.4 with respect to expenses of the Authority.

ARTICLE 6  
MISCELLANEOUS

Section 6.1 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority and the Local Borrower and their respective successors and assigns.

Section 6.2 Severability. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any Court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 6.3 Amendments, Supplements and Modifications. This Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Authority and the Local Borrower.

Section 6.4 Execution in Counterparts. This Loan 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 6.5 Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State, including the Authority Act.

Section 6.6 Consents and Approval. Whenever the written consent or approval of the Authority shall be required under the provisions of this Loan Agreement, such consent or approval may only be given by the Authority unless otherwise provided by law or by rules, regulations or resolutions of the Authority.

Section 6.7 Captions. The captions or headings in this Loan Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 6.8 Further Assurances. The Local Borrower shall, at the request of the Authority, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Loan Agreement.

Section 6.9 Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, as amended.

Section 6.10 Notice Regarding A.R.S. §38-511. To the extent applicable by provision of law, the parties acknowledge that this Loan Agreement is subject to cancellation pursuant to A.R.S. §38-511, the provisions of which are hereby incorporated herein.

ARTICLE 7  
DEFINITIONS

Section 7.1 Definitions. The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meaning:

"Authority" means the Water Infrastructure Finance Authority of Arizona, a body corporate and politic of the State of Arizona duly created and validly existing under and by virtue of the Act.

"Authority Act" means Title 49, Chapter 2, Article 11 (Section 49-371 et seq.) of the Arizona Revised Statutes, as the same may from time to time be amended and supplemented.

"Authority Bonds" means any bonds of the Authority issued to finance the State's revolving fund established pursuant to the Water Pollution Control Act, as amended.

"Authorized Officer" means, (i) with respect to the Local Borrower, the person whose name is set forth in this Loan Agreement or such other person or persons authorized by the Local Borrower to act as an authorized officer of the Local Borrower to perform any act or execute any document relating to the Loan or this Loan Agreement whose name is furnished in writing to the Authority and the Trustee; and (ii) with respect to the Authority, the Chairman, Vice Chairman, Clerk of the Board of Directors, or any other person or persons designated by the Board to act on behalf of the Authority with respect to this Loan Agreement; the designation of such person or persons shall be evidenced by a written certificate containing a specimen signature of such person or persons and signed on behalf of the Authority by its Chairman or Vice Chairman.

"Bond Closing" means the date of initial delivery of and payment for the Authority Bonds.

"Bond Documents" means and includes the Master Trust Indenture, any supplemental indenture and any comparable or related document pursuant to which the Authority Bonds are issued and all further amendments are supplements thereto adopted in accordance with the provisions thereof.

"Bond Reserves" means reserves established by the Bond Documents for the Authority Bonds to secure timely payment of amounts due on the Authority Bonds even if one or more local borrowers do not make timely payments on their loans.

"Business Day" means any day other than a Saturday, Sunday or legal holiday or a day on which banking institutions, in the city in which the designated office of the Authority (being Phoenix, Arizona) is located, are closed.

"Capital Grant Facility" means the contractual arrangement established with the Authority by the United States of America Environmental Protection Agency to make capitalization grant payments pursuant to Title VI of the federal Water Pollution Control Act, as amended (33 U.S.C. §125 et seq.).

"Combined Interest and Fee Rate" means the period interest and fee payments made by the borrower, see Exhibit A to this Loan Agreement.

"Construction Period" means the period from the date of the Loan Closing until the date of the final disbursement of proceeds of the Loan pursuant to this Loan Agreement, but in no event later than the third anniversary of the Loan Closing.

"Cost" means those costs that are eligible to be funded from draws under the Capital Grant Facility and are reasonable, necessary and allocable to the Project and are permitted by generally accepted government auditing standards to be costs of the Project.

"Credit Enhancer" means the entity so designated in the Bond Documents, if any, or any successor thereto, that from time to time has issued and outstanding a municipal bond insurance policy or similar payment guarantee relating to the Authority Bonds.

"CWRP Financial Assistance Account" means the Account so designated in the Master Trust Indenture to which all leverage loans shall be credited.

"Department" means the Department of Environmental Quality of the State of Arizona.

"Eligible Project Costs" means, whether incurred before or after the date of this Loan Agreement, such portion of the Costs as is disbursed by the Authority for the benefit of the Local Borrower. The Local Borrower and the Authority acknowledge that the actual Eligible Project Costs for the Project have not been determined as of the effective date of this Loan Agreement. The final Eligible Project Costs shall be established after all disbursements have been made.

"Event of Default" means any occurrence or event specified in Section 4.1 hereof.

"Indian Tribe" has the meaning given that term by the Act, currently: any Indian tribe, band, group or community that is recognized by the United States Secretary of the Interior and that exercises governmental authority within the limits of any Indian reservation under the Jurisdiction of the United States government notwithstanding the issuance of any patent and including rights-of-way running through the reservation.

"Loan" means (a) during the Construction Period, the commitment to lend to the Local Borrower the Estimated Eligible Project Costs set forth in this Loan Agreement (as it may be amended or revised from time to time), and (b) thereafter, the amount of money equal to the Eligible Project Costs which is actually loaned to the Local Borrower pursuant to this Loan Agreement.

"Loan Agreement" and "Agreement" means this Loan Agreement, including the Exhibits and these Standard Terms and Conditions attached to this Loan Agreement, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof.

"Loan Closing" means the date of execution and delivery of this Loan Agreement.

"Loan Repayment Date" means January 1 and July 1 of each year, commencing and ending on the dates set forth in this Loan Agreement.

"Loan Repayments" means the payments payable by the Local Borrower pursuant to this Loan Agreement.

"Local Borrower" means the Political Subdivision or Indian Tribe that is a party to and described in the first paragraph of this Loan Agreement.

"Master Trust Indenture" means and includes the Master Trust Indenture dated as of August 1, 1999, and any comparable or related document, pursuant to which the Authority issues Authority Bonds.

"Political Subdivision" has the meaning given that term by the Act, currently: a county, city, town or special taxing district authorized by law to construct wastewater treatment facilities.

"Project" is the project described in Section 2.1 of this Loan Agreement, all or a portion of the Cost of which is financed from the proceeds of the Loan.

"Repayment Period" means the period over which the principal amount of the Loan will be repaid which period begins and ends on the dates set forth in this Loan Agreement.

"Repayment Principal Amount" means the amount the Authority agrees to loan to the Local Borrower pursuant to this Loan Agreement or such lesser amount of the actual Eligible Project Costs as represents the aggregate amount of the Loan actually made pursuant to this Loan Agreement.

"Source of Repayment" means the "source of repayment" set forth in this Loan Agreement.

"State" means the State of Arizona.

"System" means the "system" as set forth in this Loan Agreement.

"Tax-Exempt Bond" means any obligation or issue of obligations, the interest on which is, or is intended to be, excluded from gross income for federal income tax purposes within the meaning of Section 150 of the Code, and includes any investment treated as a "tax-exempt bond" for the applicable purpose of Section 148, provided that the term "Tax-Exempt Bond" shall not include any obligation which is a "specified private activity bond" as defined in Section 57(a)(5)(C) of the Code, the interest on which is an item of tax preferences for purposes of the alternative minimum tax imposed on individuals and corporations.

"Trustee" means the Trustee appointed by the Authority pursuant to the Bond Documents and its successor or successors and any other corporation which may at any time be substituted in its place as Trustee pursuant to the Bond Documents.

Terms not otherwise defined herein shall have the meanings ascribed to them in Exhibit B to this Loan Agreement.

Section 7.2 Rules of Interpretation. For all purposes of this Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

7.2.1 Words of one gender include the corresponding words of other genders; words of neuter include both genders; and words in the singular include words in the plural and vice versa.

7.2.2 Words indicating persons, parties, or entities (and the like) include firms, associations, partnerships (including limited partnerships), limited liability companies (and the like), corporations, trusts and other legal entities, including public and governmental bodies, and well as natural persons.

7.2.3 References to a statute refer to the statute, as amended, and any successor statute, and to all regulations promulgated under or implementing the statute or successor statute, as in effect at the relevant time.

7.2.4 References to a governmental or quasi-governmental entity or representatives thereof also refer to an entity that succeeds to the functions of the governmental or quasi-governmental entity and representatives thereof.

7.2.5 Headings preceding sections of text and any table of contents are solely for convenience of reference and are not part of this Loan Agreement and are not to affect its meaning, interpretation or effect.

7.2.6 Actions permitted under this Loan Agreement may be taken at any time and from time to time in the actor's sole discretion.

7.2.7 The word "including" means "including, but not limited to" and the word "include" means "include, among others".

7.2.8 The terms "hereby", "hereof", "herein", and "hereunder" (and the like) refer to this Loan Agreement.

7.2.9 Indications of time of day mean local time in Phoenix, Arizona.

7.2.10 This Loan Agreement shall be governed by and construed in accordance with the applicable law of the State of Arizona, except for its conflict of law rules and except as preempted by federal law.

#### LIST OF FEDERAL LAWS AND AUTHORITIES

By Section 1.24 of these Standard Terms and Conditions the Local Borrower agrees that the Project will comply with applicable provisions of the following federal laws and authorities:

Environmental:

1. Archaeological and Historical Preservation Act of 1974, PL 93291.
2. Clean Air Act, 42 U.S.C. 7506(c)
3. Endangered Species Act 16 U.S.C. 1531, et seq.
4. Executive Order 11593, Protection and Enhancement of the Cultural Environment.

5. Executive Order 11988, Floodplain Management.
6. Executive Order 11990, Protection of Wetlands.
7. Farmland Protection Policy Act, 7 U.S.C. 4201 et seq.
8. Fish and Wildlife Coordination Act, PL 85-624, as amended.
9. National Historic Preservation Act of 1966, PL 89-523, as amended.
10. Safe Drinking water Act, Section 1424(e), PL 92-523, as amended.
11. Wild and Scenic Rivers Act, PL 90-542, as amended.
12. Environmental Justice, Executive Order 12898.

Economic:

1. Demonstration Cities and Metropolitan Development Act of 1966, PL 89-754, as amended.
2. Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants or Loans.

Social Legislation:

1. Age Discrimination Act, PL 94-135.
2. Civil Rights Act of 1964, PL 88-352, Title VI.
3. Section 13 of PL 92-500; Prohibition against sex discrimination under the Federal Water Pollution Control Act.
4. Executive Order H 246, Equal Employment Opportunity.
5. Executive Orders 11625, 12138, and 12432 Women's and Minority Business Enterprise.
6. Rehabilitation Act of 1973, PL 93, 112 (including Executive Order 11914 and 11250)
7. The Drug Free Workplace Act of 1988, Pub. L. 100-690.
8. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
9. Anti-Lobbying Provision (40 CFR Part 30)

Miscellaneous Authority:

1. Uniform Relocation and Real Property Acquisition Policies Act of 1970, PL 91-646.
2. Executive Order 12549 – Debarment and Suspension.

**PIMA COUNTY  
SEWER REVENUE BONDS**

**2004 AGREEMENT  
REGARDING  
RESERVE FUND GUARANTIES**

**DATED AS OF  
MAY 11, 2004**

**BY AND BETWEEN**

**PIMA COUNTY, ARIZONA**

**AND**

**J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION  
as Paying Agent**

**THIS RESERVE FUND GUARANTY AGREEMENT** dated as of May 11, 2004 by and between Pima County, Arizona (the "County") and J.P. Morgan Trust Company, National Association, as paying agent (the "Paying Agent"):

**WITNESSETH:**

WHEREAS, the County has issued its Sewer Revenue Bonds, Series of 1993 (the "Series 1993 Bonds"), its Sewer Revenue Refunding Bonds, Series 1994A (the "Series 1994A Bonds"), its Sewer Revenue Refunding Bonds, Series 1994B (the "Series 1994B Bonds"), its Sewer Improvement and Refunding Bonds, Series 1998 (the "Series 1998 Bonds") and its Sewer Refunding Revenue Bonds, Series 2001 (the "Series 2001 Bonds" and, together with the Series 1993 Bonds, Series 1994A Bonds, Series 1994B Bonds, Series 1998 Bonds and Series 2001 Bonds, the "Outstanding Sewer Revenue Bonds"), pursuant to authority of Resolution No. 1991-138, as amended, (the "Bond Resolution"); and

WHEREAS, the County has entered into a Loan Agreement dated as of February 1, 1996 (the "1996 Obligation") between the County and the Wastewater Management Authority of Arizona (now the Water Infrastructure Finance Authority of Arizona) (the "Authority") pursuant to which the County borrowed amounts from the Authority which 1996 Obligation was executed and delivered as "Parity Bonds" in accordance with Section 13 of the Bond Resolution and is payable solely from "Net Revenues" on a parity with the Outstanding Sewer Revenue Bonds; and

WHEREAS, the County has entered into a Loan Agreement dated as of July 1, 1997 (the "1997 Obligation") between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 1997 Obligation was executed and delivered as "Parity Bonds" in accordance with Section 13 of the Bond Resolution and is payable solely from "Net Revenues" on a parity with the Outstanding Sewer Revenue Bonds and the 1996 Obligation; and

WHEREAS, the County has entered into a Loan Agreement dated as of October 27, 2000 (the "2000 Obligation") between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 2000 Obligation was executed and delivered as "Parity Bonds" in accordance with Section 13 of the Bond Resolution and is payable solely from "Net Revenues" on a parity with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, and the 1997 Obligation; and

WHEREAS, the County has entered into an Amendment to Loan Agreement dated as of December 28, 2001 (the "2001 Obligation") between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 2001 Obligation was executed and delivered as "Parity Bonds" in accordance with Section 13 of the Bond Resolution and is payable solely from "Net Revenues" on a parity with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, the 1997 Obligation, and the 2000 Obligation; and

WHEREAS, the County has entered into a Loan Agreement dated as of May 11, 2004 (the "2004 Obligation") between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 2004 Obligation was executed and delivered as "Parity Bonds" in accordance with Section 13 of the Bond Resolution and is payable solely from "Net Revenues" on a parity with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, the 1997 Obligation, the 2000 Obligation and the 2001 Obligation; and

WHEREAS, the County may issue additional Parity Bonds in the future in accordance with the requirements of the Bond Resolution (such additional Parity Bonds, together with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation and the 2004 Obligation, being herein collectively referred to as the "Parity Obligations"); and

WHEREAS, the Bond Resolution requires that "Reserve Fund Guaranties" be held by the Paying Agent for the benefit of all Parity Obligations; and

WHEREAS, the Paying Agent is currently holding the following "Reserve Fund Guaranties" for the account of the "Reserve Fund" established by the Bond Resolution for the benefit of all Parity Obligations:

	<u>Provider</u>	<u>No.</u>	<u>Date</u>	<u>Amount</u>
Financial Guaranty Insurance Company ("FGIC")		91010312	08/27/1991	\$5,103,070.53
AMBAC Indemnity Corporation ("AMBAC")		SB0108BE	04/08/1992	931,116.00
AMBAC		SB0156BE	02/10/1993	427,931.00
AMBAC		SB0253BE	05/12/1994	440,174.00
MBIA Insurance Corporation		24438	06/01/1997	680,240.63
FGIC		08010533	06/11/1998	1,538,309.37
FGIC		01010305	04/12/2001	2,842,689.10

WHEREAS, amounts due under the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation and the 2004 Obligation are or will be payable to the Authority or to its designee as trustee, depository and paying agent for the Authority (an "Authority Designee"); and

WHEREAS, because the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation and the 2004 Obligation are Parity Bonds under the Bond Resolution and because the Authority or the Authority Designee is the only payee thereon, it is now necessary and desirable to enter into certain agreements with respect to the Reserve Fund Guaranties held or to be held by the Paying Agent for the account of the Reserve Fund:

NOW, THEREFORE, it is agreed by the parties hereto, for themselves and their respective successors and assigns, as follows:

**Section 1. Representations and Undertakings of the County.**

(a) The County hereby represents and certifies to the Paying Agent that the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation and the 2004 Obligation were each executed and delivered in accordance with Section 13 of the Bond Resolution and constitute "Parity Bonds" thereunder.

(b) The County hereby requests and instructs the Paying Agent to accept, upon delivery, any future Reserve Fund Guaranty which is to be held for the account of the Reserve Fund in accordance with the Bond Resolution.

**Section 2. Undertakings of the Paying Agent.**

(a) The Paying Agent hereby acknowledges that it is holding all Reserve Fund Guaranties for the benefit of all Parity Bonds under the Bond Resolution, including the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation and the 2004 Obligation, in accordance with the requirements of the Bond Resolution and will accept notices of deficiencies and drawing requests received from the Authority or the Authority Designee. For purposes of the Reserve Fund Guaranties, the Authority or the Authority Designee will be deemed to be "Owner" thereof.

(b) The Paying Agent agrees that, if it has received notice from the Authority or the Authority Designee of a deficiency in payments due from the County and has not received a further notice from the Authority or the Authority Designee within three (3) days thereafter that such deficiency has been cured, it will notify the providers of the Reserve Fund Guaranties of such deficiency and take any necessary action pursuant to the terms of the Reserve Fund Guaranties to realize and receive as soon thereafter as practicable, moneys in the amount of such insufficiency.

**Section 3. Counterparts.** This Agreement may be executed in counterparts, each of which alone and all of which together shall be deemed to be one original Agreement.

**Section 4. Term.** This Agreement shall terminate at such time as the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation and the 2004 Obligation shall not be outstanding and unpaid.

PIMA COUNTY, ARIZONA

By: Shawn Bronson  
Chair, Board of Supervisors

Attest:

By: Lori Anderson  
Clerk, Board of Supervisors

Approved as to form:

SNELL & WILMER L.L.P.

By: Jimmy Graham  
Special Counsel

J.P. MORGAN TRUST COMPANY,  
NATIONAL ASSOCIATION, as Paying Agent

By: ME Hunter  
Its: Vice President

**PIMA COUNTY  
SEWER REVENUE BONDS**

**2005  
AGREEMENT  
REGARDING  
RESERVE FUND GUARANTIES**

**DATED AS OF  
SEPTEMBER 1, 2005**

**BY AND BETWEEN**

**PIMA COUNTY, ARIZONA**

**AND**

**J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION,  
as Paying Agent**

**THIS 2005 RESERVE FUND GUARANTY AGREEMENT**, dated as of September 1, 2005 by and between Pima County, Arizona (the “County”) and J.P. Morgan Trust Company, National Association, as paying agent (the “Paying Agent”):

WITNESSETH

WHEREAS, the County has issued and has outstanding its Sewer Improvement and Refunding Bonds, Series 1998 (the “Series 1998 Bonds”), its Sewer Revenue Refunding Bonds, Series 2001 (the “Series 2001 Bonds”) and its Sewer Revenue Refunding Bonds, Series 2004 (the “Series 2004 Bonds” and, together with the Series 2001 Bonds and the Series 1998 Bonds, the “Outstanding Sewer Revenue Bonds”), pursuant to authority of Resolution No. 1991-138, as amended, (the “Bond Resolution”); and

WHEREAS, the County has entered into a Loan Agreement dated as of February 1, 1996 (the “1996 Obligation”) between the County and the Wastewater Management Authority of Arizona (now the Water Infrastructure Finance Authority of Arizona) (the “Authority”) pursuant to which the County borrowed amounts from the Authority which 1996 Obligation was executed and delivered as “Parity Bonds” in accordance with Section 13 of the Bond Resolution and is payable solely from “Net Revenues” on a parity with the Outstanding Sewer Revenue Bonds; and

WHEREAS, the County has entered into a Loan Agreement dated as of July 1, 1997 (the “1997 Obligation”) between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 1997 Obligation was executed and delivered as “Parity Bonds” in accordance with Section 13 of the Bond Resolution and is payable solely from “Net Revenues” on a parity with the Outstanding Sewer Revenue Bonds and the 1996 Obligation; and

WHEREAS, the County has entered into a Loan Agreement dated as of October 27, 2000 (the “2000 Obligation”) between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 2000 Obligation was executed and delivered as “Parity Bonds” in accordance with Section 13 of the Bond Resolution and is payable solely from “Net Revenues” on a parity with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, and the 1997 Obligation; and

WHEREAS, the County has entered into Amendment No. 1 to Loan Agreement dated as of December 28, 2001 (the “2001 Obligation”) between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 2001 Obligation was executed and delivered as “Parity Bonds” in accordance with Section 13 of the Bond Resolution and is payable solely from “Net Revenues” on a parity with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, the 1997 Obligation and the 2001 Obligation; and

WHEREAS, the County has entered into a Loan Agreement, dated as of May 11, 2004 (the “2004 Obligation”) between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 2004 Obligation was executed and delivered as “Parity Bonds” in accordance with Section 13 of the Bond Resolution and is payable

solely from “Net Revenues” on a parity with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, the 1997 Obligation, the 2000 Obligation and the 2001 Obligation; and

WHEREAS, the County has entered into Amendment No. 1 to Loan Agreement, dated as of September 1, 2005 (the “2005 Obligation”), between the County and the Authority pursuant to which the County borrowed additional amounts from the Authority which 2005 Obligation was executed and delivered as “Parity Bonds” in accordance with Section 13 of the Bond Resolution and is payable solely from “Net Revenues” on a parity with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation and the 2004 Obligation; and

WHEREAS, the County may issue additional Parity Bonds in the future in accordance with the requirements of the Bond Resolution (such additional Parity Bonds, together with the Outstanding Sewer Revenue Bonds, the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation, the 2004 Obligation and the 2005 Obligation being herein collectively referred to as the “Parity Obligations”); and

WHEREAS, the Bond Resolution requires that “Reserve Fund Guaranties” be held by the Paying Agent for the benefit of all Parity Obligations; and

WHEREAS, the Paying Agent is currently holding the following “Reserve Fund Guaranties” for the account of the “Reserve Fund” established by the Bond Resolution for the benefit of all Parity Obligations:

<u>Provider</u>	<u>No.</u>	<u>Date</u>	<u>Amount</u>
Financial Guaranty Insurance Company (“FGIC”)	91010312	8/27/91	\$5,103,070.53
AMBAC Indemnity Corporation (“AMBAC”)	SB0108BE	4/8/92	931,116.00
AMBAC	SB0156BE	2/10/93	427,931.00
AMBAC	SB0253BE	5/12/94	440,174.00
MBIA Insurance Corporation	24438	6/1/97	680,240.63
FGIC	08010533	6/11/98	1,538,309.37
FGIC	01010305	4/12/01	2,842,689.10

WHEREAS, in connection with the 2005 Obligation, the County intends initially to increase the Reserve Fund Value through the deposit of moneys into the Reserve Fund as provided in the Bond Resolution, but may at a future date deposit additional Reserve Fund Guaranties with the Paying Agent relating to the 2005 Obligation and other Parity Obligations; and

WHEREAS, amounts due under the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation, the 2004 Obligation and the 2005 Obligation are or will be

payable to the Authority or to its designee as trustee, depository and paying agent for the Authority (an "Authority Designee"); and

WHEREAS, because the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation, the 2004 Obligation and the 2005 Obligation are Parity Bonds under the Bond Resolution and because the Authority or the Authority Designee is the only payee thereon, it is now necessary and desirable to enter into certain agreements with respect to the Reserve Fund Guaranties held or to be held by the Paying Agent for the account of the Reserve Fund:

NOW, THEREFORE, it is agreed by the parties hereto, for themselves and their respective successors and assigns, as follows:

Section 1. Representations and Undertakings of the County.

(a) The County hereby represents and certifies to the Paying Agent that the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation, the 2004 Obligation and the 2005 Obligation were each executed and delivered in accordance with Section 13 of the Bond Resolution and constitute "Parity Bonds" thereunder.

(b) The County hereby requests and instructs the Paying Agent to accept, upon delivery, any future Reserve Fund Guaranty which is to be held for the account of the Reserve Fund in accordance with the Bond Resolution.

Section 2. Undertakings of the Paying Agent.

(a) The Paying Agent hereby acknowledges that it is holding all Reserve Fund Guaranties for the benefit of all Parity Bonds under the Bond Resolution, including the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation, the 2004 Obligation and the 2005 Obligation in accordance with the requirements of the Bond Resolution and will accept notices of deficiencies and drawing requests received from the Authority or the Authority Designee. For purposes of the Reserve Fund Guaranties, the Authority or the Authority Designee will be deemed to be "Owner" thereof.

(b) The Paying Agent agrees that, if it has received notice from the Authority or the Authority Designee of a deficiency in payments due from the County and has not received a further notice from the Authority or the Authority Designee within three (3) days thereafter that such deficiency has been cured, it will notify the providers of the Reserve Fund Guaranties of such deficiency and take any necessary action pursuant to the terms of the Reserve Fund Guaranties to realize and receive as soon thereafter as practicable, moneys in the amount of such insufficiency.

Section 3. Counterparts. This Agreement may be executed in counterparts, each of which alone and all of which together shall be deemed to be one original Agreement.

Section 4. Term. This Agreement shall terminate at such time as the 1996 Obligation, the 1997 Obligation, the 2000 Obligation, the 2001 Obligation, the 2004 Obligation and the 2005 Obligation shall not be outstanding and unpaid.

PIMA COUNTY, ARIZONA

By: Sharon Branson  
Chair  
Board of Supervisors

ATTEST:

Lori Godshian  
Clerk  
Board of Supervisors

APPROVED AS TO FORM:

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

By: Timothy E. Pickrell  
Timothy E. Pickrell

J.P. MORGAN, TRUST COMPANY, NATIONAL  
ASSOCIATION, as Paying Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

PIMA COUNTY, ARIZONA

By: Sharon Branson  
Chair  
Board of Supervisors

ATTEST:

Lori Goddard  
Clerk  
Board of Supervisors

APPROVED AS TO FORM:

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

By: Timothy E. Pickrell  
Timothy E. Pickrell

J.P. MORGAN, TRUST COMPANY, NATIONAL  
ASSOCIATION, as Paying Agent

By: Mike Hunter  
Its: Vice President

**\$18,015,219**  
**PIMA COUNTY, ARIZONA**  
**LOAN AGREEMENT**  
**DATED AS OF MAY 11, 2004**  
**WITH**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**

---

**GENERAL CERTIFICATE OF THE COUNTY**

---

The undersigned, the Chair and 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 Loan Agreement (the "Loan Agreement"):

1. They are the duly appointed, qualified and acting Chair 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 Loan Agreement.

2. Each of the following documents has been executed and delivered by the Chair and attested by the Clerk of the Board of Supervisors of the County:

<u>Document</u>	<u>Dated</u>	<u>Other Party(ies)</u>
Loan Agreement	May 11, 2004	Water Infrastructure Finance Authority of Arizona (the "Authority")
2004 Agreement Regarding Reserve Fund Guaranties (the "Reserve Fund Guaranty Agreement")	May 11, 2004	J.P. Morgan Trust Company, National Association, as paying agent

The Loan Agreement and the Reserve Fund Guaranty Agreement are herein sometimes collectively referred to as the "County Documents".

3. Since March 9, 2004 and through the date hereof, the following persons have at all times been the duly qualified and acting Supervisors and incumbents of the County set forth opposite their respective names:

<u>Title</u>	<u>Name</u>
Chair and Supervisor	Sharon Bronson
Vice Chair and Supervisor	Richard Elias
Acting Chair and Supervisor	Ramón Valadez
Supervisor	Ray Carroll
Supervisor	Ann Day

4. No authority or proceedings for 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 County Documents has been filed with or received by the County.

5. To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity by or before any public board or body pending or threatened (a) to restrain or enjoin the execution, delivery or performance of the County Documents, or in any way affecting any authority for or the validity of the County Documents or the County's existence or powers of the County's right to use proceeds of the Loan Agreement in the manner contemplated in the County Documents, or (b) affecting the adoption or compliance with the provisions of Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended ( the "Sewer Bond Resolution") or the collection or application of Revenues or the pledge of Net Revenues (each as defined in the Sewer Bond Resolution) or the validity or payment of any obligations issued thereunder, or (c) affecting the County or the assets, properties or operations of the County (or, to the best of the knowledge of the undersigned, any basis therefor) which, if determined adversely to the County or its interests, would have (i) a material adverse effect upon the financial condition, assets, properties or operations of the County or the County's ability to enter in to and fulfill its duties and obligations under and pursuant to the County Documents, or (ii) an adverse effect on the validity or enforceability of the County Documents.

6. The County is not in breach of or in default under any existing law, court or administrative regulation, decree, order, agreement, debt limit, indenture, mortgage, lease, sublease or other instrument to which it is a party or by which it is bound, and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default hereunder, except for such minor breaches, defaults or potential defaults or events of default, if any, which would individually and in the aggregate have no material adverse effect on the County's financial condition, operations or properties.

7. The execution and delivery of the County Documents and compliance with the provisions thereof do 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.

8. The representations and warranties made by the County in the County Documents are true and correct in all material respects as of this date.

9. Of the \$105,000,000 sewer revenue bonds authorized by the electors of the County on May 20, 1997, only \$81,090,296 of such bonds have been issued to date, in addition to the \$18,015,219 represented by the Loan Agreement, and the County hereby irrevocably allocates up to \$18,015,219 of such authorization to the loan represented by the Loan Agreement, to the extent that the County shall receive or be deemed to receive funds thereunder.

10. The net revenues of the sewer system of the County are not pledged or hypothecated in any manner other than to the payment of the Loan Agreement, the Loan Agreements, dated as of December 28, 2001, October 27, 2000, June 1, 1997 and February 1, 1996, respectively, and the following described sewer revenue bonds of the County: Sewer Revenue Bonds, Series of 1993, Sewer Revenue Refunding Bonds, Series 1994A, Sewer Revenue Bonds, Series 1994B, Sewer Improvement and Refunding Revenue Bonds, Series 1998, and Sewer Revenue Refunding Bonds, Series 2001.

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Dated: May 11, 2004

PIMA COUNTY, ARIZONA

By: Sharon Bronson  
Sharon Bronson  
Chair, Board of Supervisors

Attest:

Lori Godoshian  
Lori Godoshian  
Clerk, Board of Supervisors

**\$19,967,331**  
**PIMA COUNTY, ARIZONA**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**  
**SEWER REVENUE LOAN**  
**(COMPRISING \$18,015,219 LOAN DATED MAY 11, 2004 AND**  
**\$1,952,112 LOAN AMENDMENT DATED SEPTEMBER 1, 2005)**

---

**SUPPLEMENTAL GENERAL CERTIFICATE OF THE COUNTY**

---

The undersigned, the Chairman and 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 Loan Agreement, dated May 11, 2004 (the "2004 Loan Agreement"), as amended by Amendment No. 1 to Loan Agreement, dated September 1, 2005 (the "2005 Loan Amendment" and, collectively with the 2004 Loan Agreement, the "Loan Agreement"):

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 Loan Agreement.

2. Each of the following documents has been executed and delivered by the Chairman and attested by the Clerk of the Board of Supervisors of the County:

<u>Document</u>	<u>Dated</u>	<u>Other Party(ies)</u>
2005 Loan Amendment	September 1, 2005	Water Infrastructure Finance Authority of Arizona (the "Authority")
2005 Agreement Regarding Fund Guaranties (the "Reserve Fund Guaranty Agreement")	September 1, 2005	J.P. Morgan Trust Company, National Association, as paying agent

The 2005 Loan Amendment and the 2005 Reserve Fund Guaranty Agreement are herein sometimes collectively referred to as the "County Documents."

3. Since April 5, 2005 and through the date hereof the following persons have at all times been the duly qualified and acting Supervisors and incumbents of the County set forth opposite their respective names:

<u>Title</u>	<u>Name</u>
Chair and Supervisor	Sharon Bronson
Supervisor	Ann Day
Supervisor	Ray Carroll
Supervisor	Richard Elías
Supervisor	Ramón Valadez

4. No authority or proceedings for 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 County Documents has been filed with or received by the County.

5. To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity by or before any public board or body pending or threatened (a) to restrain or enjoin the execution, delivery or performance of the County Documents, or in any way affecting any authority for or the validity of the County Documents or the County's existence or powers of the County's right to use proceeds of the Loan Agreement in the manner contemplated in the County Documents, or (b) affecting the adoption or compliance with the provisions of Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended (the "Sewer Bond Resolution") or the collection or application of Revenues or the pledge of Net Revenues (each as defined in the Sewer Bond Resolution) or the validity or payment of any obligations issued thereunder, or (c) affecting the County or the assets, properties or operations of the County (or, to the best of the knowledge of the undersigned, any basis therefor) which, if determined adversely to the County or its interests, would have (i) a material adverse effect upon the financial condition, assets, properties or operations of the County or the County's ability to enter in to and fulfill its duties and obligations under and pursuant to the County Documents, or (ii) an adverse effect on the validity or enforceability of the County Documents.

6. The County is not in breach of or in default under any existing law, court or administrative regulation, decree, order, agreement, debt limit, indenture, mortgage, lease, sublease or other instrument to which it is a party or by which it is bound, and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default hereunder, except for such minor breaches, defaults or potential defaults or events of default, if any, which would individually and in the aggregate have no material adverse effect on the County's financial condition, operations or properties.

7. The execution and delivery of the County Documents and compliance with the provisions thereof do 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.

8. The representations and warranties made by the County in the County Documents are true and correct in all material respects as of this date.

9. Of the \$105,000,000 sewer revenue bonds authorized by the electors of the County on May 20, 1997, only \$99,105,515 of such bonds have been issued to date, in addition to the \$1,952,112 represented by the 2005 Loan Amendment, and the County hereby irrevocably allocates up to \$1,952,112 of such authorization to the loan represented by the 2005 Loan Amendment to the extent that the County shall receive or be deemed to receive funds thereunder.

10. The revenues of the sewer system of the County are not pledged or hypothecated in any manner other than to the payment of the 2004 Loan Agreement, the 2005 Loan Amendment, the Loan Amendment, dated December 28, 2001, the Loan Agreements, dated as of October 27, 2000, June 1, 1997 and February 1, 1996, respectively, and the following described sewer revenue bonds of the County: Sewer Improvement and Refunding Revenue Bonds, Series 1998, Sewer Revenue Refunding Bonds, Series 2001 and Sewer Revenue Refunding Bonds, Series 2004.

Dated: September 1, 2005

PIMA COUNTY ARIZONA

  
By \_\_\_\_\_  
Chair, Board of Supervisors

Attest:

  
\_\_\_\_\_  
Clerk, Board of Supervisors

**\$18,015,219**  
**PIMA COUNTY, ARIZONA**  
**LOAN AGREEMENT**  
**DATED AS OF MAY 11, 2004**  
**WITH**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**

---

**CLOSING CERTIFICATE OF THE COUNTY**  
**REGARDING SEWER REVENUE BOND RESOLUTION**

---

The undersigned serves as the Finance Director of Pima County, Arizona (the "County"), acting for and on behalf of Pima County, Arizona (the "County"), for purposes of Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended (the "Sewer Revenue Bond Resolution"), and as such officer, I do hereby certify as follows with respect to the above-described Loan Agreement (the "Loan Agreement") (all capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Sewer Revenue Bond Resolution):

1. The Net Revenues for the completed Fiscal Year immediately preceding the execution and delivery of the Loan Agreement were at least \$21,437,337, which were at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after the execution and delivery of the Loan Agreement, including the Loan Agreement and the Loan Agreements dated as of December 28, 2001 (Amendment), October 27, 2000, June 1, 1997 and February 1, 1996, respectively, between the County and the Water Infrastructure Finance Authority of Arizona (formerly the Wastewater Management Authority of Arizona), and said Net Revenues were also sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, were sufficient to provide at least one hundred percent (100%) of the County's Policy Costs due and owing in such Fiscal Year.

2. The payments required to be made into the various Funds provided in the Sewer Revenue Bond Resolution are current.

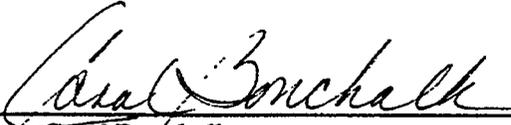
3. The proceeds of the loan represented by the Loan Agreement are to be used solely to make extensions, renewals, improvements, or replacements to the System.

4. The Reserve Fund Value will be increased through the deposit of Net Revenues or the delivery of a Reserve Fund Guaranty to the Paying Agent at the times and in the manner required under the Sewer Revenue Bond Resolution.

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Dated: May 11, 2004

PIMA COUNTY, ARIZONA

By:   
Carol Bonchalk  
Finance Director

**\$19,967,331**  
**PIMA COUNTY, ARIZONA**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**  
**SEWER REVENUE LOAN**  
**(COMPRISING \$18,015,219 LOAN DATED MAY 11, 2004 AND**  
**\$1,952,112 LOAN AMENDMENT DATED SEPTEMBER 1, 2005)**

---

**SUPPLEMENTAL CLOSING CERTIFICATE OF THE COUNTY**  
**REGARDING SEWER REVENUE BOND RESOLUTION**

---

The undersigned serves as the Finance Director of Pima County, Arizona (the "County"), acting for and on behalf of Pima County, Arizona (the "County"), for purposes of Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended (the "Sewer Revenue Bond Resolution"), and as such officer, I do hereby certify as follows with respect to the Loan Agreement, dated May 11, 2004 (the "2005 Loan Agreement") between the County and the Water Infrastructure Finance Authority of Arizona (the "Authority"), as amended by Amendment No. 1 to Loan Agreement, dated September 1, 2005 (the "2005 Loan Amendment") (all capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Sewer Revenue Bond Resolution):

1. The Net Revenues for the completed Fiscal Year immediately preceding the execution and delivery of the 2005 Loan Amendment were at least \$30,000,000.00, which were at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after the execution and delivery of the 2005 Loan Amendment, including the 2004 Loan Agreement, the Loan Amendment, dated as of December 28, 2001 and the Loan Agreements, dated as of October 27, 2000, June 1, 1997 and February 1, 1996, respectively, between the County and the Authority and said Net Revenues were also sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, were sufficient to provide at least one hundred percent (100%) of the County's Policy Costs due and owing in such Fiscal Year.

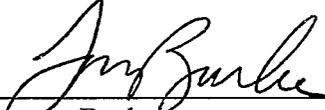
2. The payments required to be made into the various Funds provided in the Sewer Revenue Bond Resolution are current.

3. The proceeds of the loan represented by the 2005 Loan Amendment and the 2004 Loan Agreement are to be used solely to make extensions, renewals, improvements, or replacements to the System.

4. The Reserve Fund Value will be increased through the deposit of Net Revenues or the delivery of a Reserve Fund Guaranty to the Paying Agent at the times and in the manner required under the Sewer Revenue Bond Resolution.

Dated: September 1, 2005

PIMA COUNTY, ARIZONA

By:  \_\_\_\_\_  
Thomas Burke  
Finance Director

**TAX COMPLIANCE CERTIFICATE OF LOCAL BORROWER**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**  
**\$18,015,219 Clean Water Revolving Fund Loan to the Pima County**

The Water Infrastructure Finance Authority of Arizona (the "Authority") and the Pima County (the "Local Borrower") are entering into a Loan Agreement (the "Loan Agreement") in the maximum principal amount stated above pursuant to which the Authority will make a Loan to the Local Borrower. Capitalized terms used herein and not otherwise defined herein have the meanings given to them in the Loan Agreement and attachments or exhibits thereto, or in Attachment A to this Certificate. The Local Borrower acknowledges that the Authority is entering into the Loan Agreement and agreeing to make the Loan at this time for the benefit of the Local Borrower, and that the Authority intends to finance the Loan, along with other loans to other local borrowers, through the issuance of Authority Bonds (defined in the Standard Terms and Conditions of the Loan Agreement). In order to establish certain facts necessary for the Loan to be financed at a later time through the issuance of Authority Bonds, and as required by the provisions of the Loan Agreement, the Local Borrower makes the certifications set forth herein and covenants to comply with the provisions hereof. As required by the provisions of the Loan Agreement, the Local Borrower will provide an updated certificate in connection with the Loan being financed through the issuance of Authority Bonds and will comply with the provisions of that certificate.

1. The Local Borrower is a Governmental Unit. The proceeds of the Loan from the Authority are being used to pay costs of the Projects identified in the Loan Agreement.

2. The Local Borrower has not and will not use the proceeds of the Loan from the Authority to refinance any debt issued by or on its behalf or to invest in any Investment Property.

3. (i) Neither the Local Borrower nor any Related Party shall, pursuant to any arrangement, formal or informal, purchase Authority Bonds in an amount related to the amount of its Loan from the Authority.

(ii) The Projects and the proceeds of the Loan will not be used directly or indirectly (a) for any Private Business Use or (b) to make or finance loans to any Private Person or to another Governmental Unit except the Local Borrower.

(iii) Neither the Local Borrower nor the Authority has entered into, and neither has any expectation or intent to enter into, any contract (a) whereby any Private Person will be a lessee or tenant or user (other than a user as a member of, and on the same basis as, the general public) of any portion of the Project or manage any operation of or within the Project, (b) that provides any Private Person with all or any designated portion of the output or services of the Project unlike contracts for the general public use of or service from the Project or any system of which it is a part, or (c) that obligates any Private Person to take, or to take or pay for, all or any designated portion of the services or output of the Project, or to make payments unlike payments by the general public, directly or indirectly, for use of the Project, or for Debt Service on the Loan from the Authority.

(iv) The Project is not so situated as to be useful only or predominantly (a) to one or a few Private Persons in their businesses or (b) to the customers or other business visitors of one or a few Private Persons.

(v) None of the proceeds of the Loan will be used (a) to pay principal of, or interest on, refund, roll over, retire or replace any other obligations issued by or on behalf of the Authority or any other Governmental Unit, including the Local Borrower, (b) to reimburse any expenditures made prior to the date hereof except those which qualify as a Reimbursement of Prior Capital Expenditures, or (c) to replace any Proceeds of obligations which Proceeds that were not expended on the project for which the obligations were issues. No portion of the Loan is being used solely for the purpose of investing in Higher Yielding Investments with respect to the Loan, or 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 of the Loan, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee for the Loan, interest on the Loan for a period commencing on this date and ending on the date that is the later of three years from this date or one year after the date on which the project was or will be placed in service and costs, other than those already described, that do not exceed 5% of the amount of the Loan and that are directly related to Capital Expenditures financed or deemed financed by the Loan, principal or interest on the Loan paid from unexpected excess sale proceeds or investment proceeds, and principal or interest on the Loan paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund).

(vi) The Local Borrower does not intend to sell or otherwise dispose of the Project or any portion thereof during the term of the Loan except for dispositions of property in the normal course at the end of such property's useful life to the Local Borrower.

4. With respect to the Project:

(i) The Local Borrower has entered into substantial binding obligations calling for the expenditures of at least 5% of the amount to be loaned to the Local Borrower pursuant to the Loan Agreement.

(ii) Work on the Project has commenced or will commence within six months after the date hereof and is expected to proceed with due diligence to its completion.

(iii) The Project is expected to be substantially completed not later than three years from this date, and all of the amounts loaned to the Local Borrower are expected to be used to pay costs of the Project by that date.

5. On the date hereof, the Local Borrower reasonably expects that not less than 95% of the amount loaned to the Local Borrower pursuant to the Loan Agreement will be used to carry out the Governmental Purpose of such loan within the 3-year period beginning on the date hereof and not more than 50% of that portion of the amount loaned to the Local Borrower will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more. The reasonable expectations stated above are not based on and do not take into account (i) 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 (ii) any prepayments of items other than items that are customarily prepaid.

6. If so directed by the Authority in writing, the Local Borrower will use, and will restrict the use and investment of, the Proceeds of the Loan in such manner and to such extent as may be necessary so that (i) the Authority Bonds will not (a) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149, respectively, or (b) be treated other than as obligations to which Section 103(a) applies, and (ii) the interest thereon will not be an item of tax preference under Section 57.

7. The reasonably expected economic life of the facilities being financed by the Loan taking into account the respective cost of such facilities is at least 20 years.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of  
May 11, 2004.

PIMA COUNTY, ARIZONA

By: 

Name: Carol Bonchalk

Title: Finance Director

Attachment A  
To Tax Compliance Certificate of Local Borrower

DEFINITIONS

The following terms, as used in this Attachment A and in the Tax Compliance Certificate to which it is attached have the following meanings unless therein otherwise defined or unless different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in this 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 Loan 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 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.

"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 bond or note 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 Year" means the annual period relevant to the application of Section 148(f) to the 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 the issue unless the issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Expenditure" means costs of a type that are properly chargeable to capital account (or would be so chargeable with a proper election) under general federal income tax principles.

"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.

"Debt Service" means principal of an interest and any redemption premium on an issue.

"501(c)(3) Organization" means an organization described in Section 501(c)(3) and except from tax under Section 501(a).

"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 all issue.

"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 of this Certificate, is more than one-eighth of one percentage point (.00125) higher than the Yield on the applicable 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 any financial, legal, administrative and other fees or costs incurred in connection with the issuance of all issue, including any underwriter's compensation.

"Issuance Date" means the date of physical delivery of all issue in exchange for the purchase price of the issue.

"Nonpurpose Investments" means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of the 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 not include any other investment that is a "nonpurpose investment" within the applicable meaning of Section 148.

"Preliminary Expenditures" means any Capital Expenditures that are preliminary expenditures, within the meaning of Regulations §1.150-2(f)(2) or former Regulations §1.10318(i)(2), as applicable, 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 amount of Preliminary Expenditures may not exceed 20% of the aggregate issue price of the issue that financed or is reasonably expected to finance the project for which the preliminary expenditures are or were incurred.

"Private Activity Bond" means (a) obligations of an issue more than 5% of the Proceeds of which are or are to be used for a Private Business Use and more than 5% of the Debt Service on which is or is to be paid from or secured by payment with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue 5% or more of the Proceeds of which are or are to be used to make or finance loans to any Private Person.

"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, that is not a Governmental Unit and that is not acting solely and directly as an officer or employee of or on behalf of a Governmental Unit. "Private Person" includes the United States and any agency or instrumentality of the United States.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue. "Proceeds" do not include Replacement Proceeds.

"Qualified Administrative Costs" means reasonable direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, record keeping, custody and similar costs. General overhead costs and similar indirect costs such as employee salaries and office expenses are not Qualified Administrative Costs.

"Qualified 501(c)(3) Bonds" means all issue of bonds 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 "qualified hedge" as defined in Regulations §1.148-4(h)(2).

"Regulations" or "Reg." means applicable Treasury Regulations.

"Reimbursement Allocation" means an allocation of the Proceeds of an issue for the Reimbursement of Prior Capital Expenditures that meets each of the following requirements (a) is evidences on the books or records of the issuer maintained with respect to the issue, (b) the allocation entry identifies either actual prior Capital Expenditures were paid, and (c) evidences

the issuer's use of Proceeds of such issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of such issue.

"Reimbursement of Prior Capital Expenditures" means a Reimbursement Allocation of Proceeds of an issue to a Capital Expenditure paid prior to the Issuance Date of such issue that satisfies clause (a), (b) or (c), as appropriate.

(a) A Reimbursement Allocation satisfies clause (a) if:

The Reimbursement Allocation was made from Proceeds of an issue issued prior to March 3, 1992; and

(i) The Capital Expenditure reimbursed was paid in anticipation of reimbursement from the Proceeds of obligations issued by a Governmental Unit.

(b) A Reimbursement Allocation satisfies clause (b) if the Reimbursement Allocation was made from Proceeds of an issue issued after March 2, 1992, and before July 1, 1993, and if it satisfies either subclause (i) or (ii).

(i) Subclause (i) is satisfied if:

(1) The Capital Expenditures reimbursed was paid after September 8, 1989 and before March 2, 1992;

(2) There is objective evidence that, at the time such Capital Expenditure was paid by the issuer (except Preliminary Expenditures), the issuer expected to reimburse such Capital Expenditure with Proceeds of a borrowing (whether taxable or tax-exempt);

(3) The expectation stated in subclause (2) was reasonable by being consistent with the budgetary and financial circumstances of the issuer (i.e., no funds from sources other than the Issue were, or were reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the issuer or any member of the same Controlled Group as the issuer pursuant to their budget or financial policies with respect to such Capital Expenditure);

(4) The Reimbursement Allocation occurred within one year after the later of the date on which such Capital Expenditure was paid or the date on which the property resulting from such Capital Expenditure was placed in service; and

(5) The reimbursed amounts were not used within one year after the date of the Reimbursement Allocation to (A) refund obligations issued by any Governmental Unit, (B) create or increase the balance in a sinking fund with respect to any obligation of the issuer or to replace funds that have been, are being, or will be used for sinking fund purposes, (C) create or increase the balance in a reserve or replacement fund with

respect to any obligation of the issuer, or to replace funds that have been, are being, or will be so used for reserve or replacement fund purposes, or (D) reimburse any person for any expenditure or payment that was originally paid with proceeds of any obligation of the issuer (other than an internal borrowing from one of its own funds).

(ii) Subclause (ii) is satisfied if:

(1) Such Capital Expenditure was paid after March 1, 1992;

(2) On or before the date such Capital Expenditure was paid by the issuer (except Preliminary Expenditures), the issuer declared its reasonable intention to reimburse such Capital Expenditure with proceeds of a borrowing (whether taxable or tax-exempt) in a declaration of intent meeting the requirements of former Regulations §1.013-18(f) or Regulations §1.150-2(f)(2); and

(3) The requirements set forth in subclauses (i)(3), (4) and (5) of this clause (b) are met.

(c) A Reimbursement Allocation satisfies clause (c) if the Reimbursement Allocation was made from Proceeds of all issue issued after June 30, 1993, and either subclause (i) or (ii) is satisfied.

(i) Subclause (i) is satisfied if:

(1) The Capital Expenditure reimbursed was paid after September 8, 1989, and before March 2, 1992;

(2) There is objective evidence that, at the time the Capital Expenditure was paid by the issuer (except Preliminary Expenditures), the issuer expected to reimburse such Capital Expenditure with Proceeds of a borrowing (whether taxable or tax-exempt);

(3) The expectation stated in subclause (i)(2) was reasonable by being consistent with the budgetary and financial circumstances of the issuer; and

(4) The Reimbursement Allocation occurred or will occur within 18 months after the later of the date the original expenditure was paid or the date the project financed by such expenditure was placed in service or abandoned, but in no event more than three years after the original expenditure was paid.

(ii) Subclause (ii) is satisfied if:

(1) The Capital Expenditure was paid after March 1, 1992;

(2) Within 60 days after payment of the original expenditure (except Preliminary Expenditures), the issuer adopted an official intent for the original expenditure that satisfies Regulations §1.150-2(e); and

(3) The Reimbursement Allocation occurred or will occur within 18 months after the later of the date the original expenditure was paid or the date the project financed by such expenditure was placed in service or abandoned, but in no event more than three years after the original 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 that issue) replaced by Proceeds of that issue under Section 148(a)(2). Replacement Proceeds include amounts, other than Proceeds, held in a sinking fund, pledged or reserve or replacement fund for the 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.

"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 and all payments for a Qualified Guarantee, if any, 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 all the Issue Prices during the 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 Period 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).

The terms advance refunding, "current refunding", "bond", "obligation", "reasonable retainage", "reasonably required reserve or replacement fund", "reserve or replacement fund", "loan", "sinking fund", "multipurpose issue", "purpose investment", "variable yield obligation", "yield reduction payment", "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.

**\$19,967,331**  
**PIMA COUNTY, ARIZONA**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**  
**SEWER REVENUE LOAN**  
**(COMPRISING \$18,015,219 LOAN DATED MAY 11, 2004 AND**  
**\$1,952,112 LOAN AMENDMENT DATED SEPTEMBER 1, 2005)**

SUPPLEMENTAL TAX COMPLIANCE CERTIFICATE OF LOCAL BORROWER

WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

\$1,952,112 Increased Amount Clean Water Revolving Fund Loan to the Pima County

The Water Infrastructure Finance Authority of Arizona (the “*Authority*,”) and Pima County, Arizona (the “*Local Borrower*”) are amending Loan Agreement No. 910064-04 (the “*Loan Agreement*”) to increase the maximum principal by the amount stated above to a maximum principal amount of \$19,967,331 pursuant to Amendment No. 1, dated as of September 1, 2005 (the “*Amendment*”), to the Loan Agreement. Capitalized terms used herein and not otherwise defined herein have the meanings given to them in the Loan Agreement and attachments or exhibits thereto, or in Attachment A to this Certificate. The Local Borrower acknowledges that the Authority is amending the Loan Agreement and agreeing to amend the Loan at this time for the benefit of the Local Borrower; and that the Authority intends to finance the Loan, along with other loans to other local borrowers, through the issuance of Authority Bonds (defined in the Standard Terms and Conditions of the Loan Agreement). In order to establish certain facts necessary for the Loan to be financed at a later time through the issuance of Authority Bonds, and as required by the provisions of the Loan Agreement, the Local Borrower makes the certifications set forth herein and covenants to comply with the provisions hereof. As required by the provisions of the Loan Agreement, the Local Borrower will provide an updated certificate in connection with the Loan being financed through the issuance of Authority Bonds and will comply with the provisions of that certificate.

1. The Local Borrower is a Governmental Unit. The proceeds of the Loan from the Authority are being used to pay costs of the Projects identified in the Loan Agreement, as amended by the Amendment.

2. The Local Borrower has not and will not use the proceeds of the Loan from the Authority to refinance any debt issued by or on its behalf or to invest in any Investment Property.

3. (i) Neither the Local Borrower nor any Related Party shall, pursuant to any arrangement, formal or informal, purchase Authority Bonds in an amount related to the amount of its Loan from the Authority.

(ii) The Projects and the proceeds of the Loan will not be used directly or indirectly (a) for any Private Business Use or (b) to make or finance loans to any Private Person or to another Governmental Unit except the Local Borrower.

(iii) Neither the Local Borrower nor the Authority has entered into, and neither has any expectation or intent to enter into, any contract (a) whereby any Private Person will be a

lessee or tenant or user (other than a user as a member of, and on the same basis as, the general public) of any portion of the Projects or manage any operation of or within the Projects, (b) that provides any Private Person with all or any designated portion of the output or services of the Projects unlike contracts for the general public use of or service from the Projects or any system of which it is a part, or (c) that obligates any Private Person to take, or to take or pay for, all or any designated portion of the services or output of the Projects, or to make payments unlike payments by the general public, directly or indirectly, for use of the Projects, or for Debt Service on the Loan from the Authority.

(iv) The Projects are not so situated as to be useful only or predominantly (a) to one or a few Private Persons in their businesses or (b) to the customers or other business visitors of one or a few Private Persons.

(v) None of the proceeds of the Loan will be used (a) to pay principal of, or interest on, refund, roll over, retire or replace any other obligations issued by or on behalf of the Authority or any other Governmental Unit, including the Local Borrower, (b) to reimburse any expenditures made prior to the date hereof except those which qualify as a Reimbursement of Prior Capital Expenditures, or (c) to replace any Proceeds of obligations which Proceeds that were not expended on the Projects for which the obligations were issued. No portion of the Loan is being used solely for the purpose of investing in Higher Yielding Investments with respect to the Loan, or 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 of the Loan, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee for the Loan, interest on the Loan for a period commencing on this date and ending on the date that is the later of three years from this date or one year after the date on which the Projects were or will be placed in service, and costs, other than those already described, that do not exceed 5% of the amount of the Loan and that are directly related to Capital Expenditures financed or deemed financed by the Loan, principal or interest on the Loan paid from unexpected excess sale proceeds or investment proceeds, and principal or interest on the Loan paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund).

(vi) The Local Borrower does not intend to sell or otherwise dispose of the Projects or any portion thereof during the term of the Loan except for dispositions of property in the normal course at the end of such property's useful life to the Local Borrower.

4. With respect to the Projects:

(i) The Local Borrower has entered into substantial binding obligations calling for the expenditure of at least 5% of the amount to be loaned to the Local Borrower pursuant to the Loan Agreement as amended by the Amendment.

(ii) Work on the Projects has commenced or will commence within six months after the date hereof and is expected to proceed with due diligence to its completion.

(iii) The Projects are expected to be substantially completed not later than three years from the date of the Loan Agreement, and all of the amounts loaned to the Local Borrower are expected to be used to pay costs of the Projects by that date.

5. On the date of the Loan Agreement the Local Borrower reasonably expected, and on the date hereof the Local Borrower reasonably expects, that not less than 95% of the amount loaned to the Local Borrower pursuant to the Loan Agreement as amended by the Amendment will be used to carry out the Governmental Purpose of such loan within the 3-year period beginning on the date hereof and not more than 50% of that portion of the amount loaned to the Local Borrower will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more. The reasonable expectations stated above are not based on and do not take into account (i) 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 (ii) any prepayments of items other than items that are customarily prepaid.

6. If so directed by the Authority in writing, the Local Borrower will use, and will restrict the use and investment of, the Proceeds of the Loan in such manner and to such extent as may be necessary so that (i) the Authority Bonds will not (a) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149, respectively, or (b) be treated other than as obligations to which Section 103(a) applies, and (ii) the interest thereon will not be an item of tax preference under Section 57.

7. The reasonably expected economic life of the facilities being financed by the Loan taking into account the respective cost of such facilities is at least 20 years.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of September 1, 2005.

PIMA COUNTY, ARIZONA

By:   
Thomas Burke  
Finance Director

One South Church Avenue  
Suite 1500  
Tucson, Arizona 85701-1630  
(520) 882-1200  
Fax: (520) 884-1294  
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May 11, 2004

TUCSON, ARIZONA  
PHOENIX, ARIZONA  
IRVINE, CALIFORNIA  
SALT LAKE CITY, UTAH  
DENVER, COLORADO  
LAS VEGAS, NEVADA

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Ladies and Gentlemen:

We have served as special counsel to Pima County, Arizona, (the "Local Borrower"), in connection with its authorization, execution and delivery of a Loan Agreement (as hereinafter defined) with the Water Infrastructure Finance Authority of Arizona (the "Authority").

In our capacity as special counsel, and for the purposes of this opinion letter, we have examined such matters of law and fact as we have deemed necessary or appropriate, and have examined the following documents:

- (a) an executed copy of the Loan Agreement, dated as of May 11, 2004 (the "Loan Agreement") by and between the Authority and the Local Borrower;
- (b) certified proceedings of the Board of Supervisors of the Local Borrower evidencing adoption of Resolution No. 2004-57 relating to the approval, authorization, execution and delivery of the Loan Agreement; and
- (c) proceedings relating to the election held on May 20, 1997, on the question of authorizing the obligations of the Local Borrower evidenced by the Loan Agreement, of which there is authorized but unissued capacity at least equal to the principal amount of the Loan evidenced by the Loan Agreement.

As to questions of fact material to our opinion, we relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, it is our opinion, and we hereby advise you, as follows:

1. The Local Borrower is a political subdivision of the State of Arizona with the legal right to carry on the business of the System (as defined in the Loan Agreement) as currently being conducted and as proposed to be conducted.
2. The Local Borrower has full legal right and authority to pledge the Source of Repayment for the Loan Repayments (as those terms are defined in the Loan Agreement) and to

execute and deliver the Loan Agreement, and to observe and perform its duties, covenants, obligations and agreements thereunder and to undertake and complete the Project.

3. The Local Borrower has pledged the Net Revenues of the System for the punctual payment of the principal of and interest on the Loan (as such terms are defined in the Loan Agreement) and all other amounts due under the Loan Agreement according to their respective terms.

4. The Source of Repayment for the Loan Repayments (as those terms are defined in the Loan Agreement) has been duly and validly pledged on a parity with the Outstanding Parity Obligations (as that term is defined in the Loan Agreement) identified in the Loan Agreement. The Local Borrower may in the future issue Additional Parity Obligations enjoying a co-equal claim upon the Source of Repayment.

5. All additional debt tests and reserve and other requirements applicable to the Local Borrower with respect to the pledge of the Net Revenues of the System have been satisfied.

6. The proceedings of the Local Borrower's governing body approving the Loan Agreement, and authorizing their execution, issuance and delivery on behalf of the Local Borrower, and authorizing the Local Borrower to undertake and complete the Project have been duly and lawfully adopted and authorized in accordance with applicable Arizona law, (hereinafter collectively called the "Authorizing Resolutions"), which Authorizing Resolutions were duly approved and published in accordance with applicable Arizona law, at a meeting or meetings which were duly called pursuant to necessary public notice and held in accordance with applicable Arizona law, and at which quorums were present and acting throughout.

7. The Loan Agreement has been duly authorized, executed and delivered by the authorized officers of the Local Borrower; and, assuming that the Authority has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered the Loan Agreement, the Loan Agreement constitutes the legal, valid and binding obligation of the Local Borrower enforceable in accordance with its respective terms.

8. To the best of our knowledge, after such investigation as we have deemed appropriate, all approvals, consents or authorizations of, or registrations of or filings with, any governmental or public agency, authority or person required to date on the part of the Local Borrower in connection with the authorization, execution, delivery and performance of the Loan Agreement, and the undertaking and completion of the Project have been obtained or made.

The enforceability of the Loan Agreement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles generally affecting the enforcement of creditors' rights.

This opinion is rendered on the basis of Federal law and the laws of the State of Arizona as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs herein.

Very truly yours,

SNELL & WILMER L.L.P.

Snell & Wilmer LLP

September 1, 2005

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Ladies and Gentlemen:

We have served as special counsel to Pima County, Arizona, (the "Local Borrower"), in connection with its authorization, execution and delivery of Amendment No. 1 to Loan Agreement, dated September 1, 2005 (the "2005 Loan Amendment") with the Water Infrastructure Finance Authority of Arizona (the "Authority").

In our capacity as special counsel, and for the purposes of this opinion letter, we have examined such matters of law and fact as we have deemed necessary or appropriate, and have examined the following documents:

(a) an executed copy of the Loan Agreement, dated as of May 11, 2004 (the "2004 Loan Agreement" and, as amended by the 2005 Loan Amendment, the "Loan Agreement") by and between the Authority and the Local Borrower;

(b) certified proceedings of the Board of Supervisors of the Local Borrower evidencing adoption of Resolution Nos. 2004-57 and 2005-81 relating to the approval, authorization, execution and delivery of the 2004 Loan Agreement and the 2005 Loan Amendment; and

(c) proceedings relating to the election held on May 20, 1997, on the question of authorizing the obligations of the Local Borrower evidenced by the 2004 Loan Agreement and the 2005 Loan Amendment, of which there is authorized but unissued capacity at least equal to the principal amount of the Loan evidenced by the 2004 Loan Agreement and the 2005 Loan Amendment.

As to questions of fact material to our opinion, we relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

September 1, 2005

Page 2

Based upon the foregoing, it is our opinion, and we hereby advise you, as follows:

1. The Local Borrower is a political subdivision of the State of Arizona with the legal right to carry on the business of the System (as defined in the Loan Agreement) as currently being conducted and as proposed to be conducted.

2. The Local Borrower has full legal right and authority to pledge the Source of Repayment for the Loan Repayments (as those terms are defined in the Loan Agreement) and to execute and deliver the Loan Agreement, and to observe and perform its duties, covenants, obligations and agreements thereunder and to undertake and complete the Project.

3. The Local Borrower has pledged the Net Revenues of the System for the punctual payment of the principal of and interest on the Loan (as such terms are defined in the Loan Agreement) and all other amounts due under the Loan Agreement according to their respective terms.

4. The Source of Repayment for the Loan Repayments (as those terms are defined in the Loan Agreement) has been duly and validly pledged on a parity with the Outstanding Parity Obligations (as that term is defined in the Loan Agreement) identified in the Loan Agreement. The Local Borrower may in the future issue Additional Parity Obligations enjoying a co-equal claim upon the Source of Repayment.

5. All additional debt tests and reserve and other requirements applicable to the Local Borrower with respect to the pledge of the Net Revenues of the System have been satisfied.

6. The proceedings of the Local Borrower's governing body approving the Loan Agreement, and authorizing their execution, issuance and delivery on behalf of the Local Borrower, and authorizing the Local Borrower to undertake and complete the Project have been duly and lawfully adopted and authorized in accordance with applicable Arizona law, (hereinafter collectively called the "Authorizing Resolutions"), which Authorizing Resolutions were duly approved and published in accordance with applicable Arizona law, at a meeting or meetings which were duly called pursuant to necessary public notice and held in accordance with applicable Arizona law, and at which quorums were present and acting throughout.

7. The Loan Agreement has been duly authorized, executed and delivered by the authorized officers of the Local Borrower; and, assuming that the Authority has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered the Loan Agreement, the Loan Agreement constitutes the legal, valid and binding obligation of the Local Borrower enforceable in accordance with its respective terms.

8. To the best of our knowledge, after such investigation as we have deemed appropriate, all approvals, consents or authorizations of or registrations of, or filings with, any governmental or public agency, authority or person required to date on the part of the Local Borrower in connection with the authorization, execution, delivery and performance of the Loan Agreement, and the undertaking and completion of the Project have been obtained or made.

September 1, 2005

Page 3

The enforceability of the Loan Agreement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles generally affecting the enforcement of creditors' rights.

This opinion is rendered on the basis of Federal law and the laws of the State of Arizona as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs herein.

Very truly yours,

*Squire, Sanders + Dempsey LLP*



OFFICE OF THE  
**Pima County Attorney**  
**Civil Division**

**Barbara LaWall**  
PIMA COUNTY ATTORNEY

32 N. STONE  
SUITE 2100

**Tucson, Arizona 85701-1412**

(520) 740-5750  
FAX (520) 620-6556

May 11, 2004

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Pima County, Arizona

Ladies and Gentlemen:

The attorneys of this office are admitted to practice in the State of Arizona and have acted as counsel to Pima County, a political subdivision of the State of Arizona (the "Local Borrower"), which has entered into a Loan Agreement (as hereinafter defined) with the Water Infrastructure Finance Authority of Arizona (the "Authority"), and have acted as such in connection with the authorization, execution and delivery by the Local Borrower of the Loan Agreement (as hereinafter defined).

In so acting this office has examined the Constitution and laws of the State of Arizona and has also examined originals, or copies certified or otherwise identified to our satisfaction, of the following:

(a) the Loan Agreement, dated as of May 11, 2004 (the "Loan Agreement") by and between the Authority and the Local Borrower;

(b) proceedings of the governing board of the Local Borrower relating to the approval of the Loan Agreement and the execution, issuance and delivery thereof on behalf of the Local Borrower, and the authorization of the undertaking and completion of the Project (as defined in the Loan Agreement); and

(c) proceedings relating to the election held on May 20, 1997 and related proceedings of the governing board of the Local Borrower on the question of authorizing the obligations of the Local Borrower which are being financed pursuant to the Loan Agreement;

Except as qualified herein, this office has also examined and relied upon originals, or copies certified or otherwise authenticated to our satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in our judgment we deemed necessary or appropriate to enable us to render the opinions expressed below.

Based upon the foregoing, we are of the opinion that:

1. To the best of my knowledge, after such investigation as I have deemed appropriate, the authorization, execution and delivery of the Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions contemplated therein and the undertaking and completion of the Project do not and will not contravene any existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or governmental or administrative agency, authority or person having jurisdiction over the Local Borrower or its property or assets or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing trust agreement, indenture, mortgage, deed of trust or other agreement to which the Local Borrower is a party or by which it, the System (as defined in the Loan Agreement) or its property or assets is bound.

2. To the best of my knowledge, after such investigation as I have deemed appropriate, there is no litigation or other proceeding pending or threatened in any court or other tribunal of competent jurisdiction (either State or Federal) questioning the creation, organization or existence of the Local Borrower or the validity, legality or enforceability of the Loan Agreement, or the undertaking or completion of the Project.

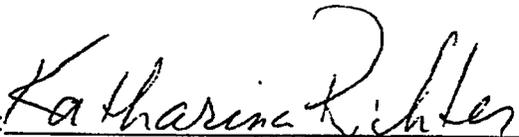
This opinion is rendered on the basis of Federal law and the laws of the State of Arizona as enacted and construed on the date hereof. I express no opinion as to any matter not set forth in the numbered paragraphs herein.

I hereby authorize Snell & Wilmer L.L.P., as Bond Counsel, to rely on this opinion as if I had addressed this opinion to them in addition to you.

Very truly yours,

PIMA COUNTY ATTORNEY

By:

  
Katharine Richter



OFFICE OF THE  
**Pima County Attorney**  
**Civil Division**

**Barbara LaWall**  
PIMA COUNTY ATTORNEY

32 N. STONE  
SUITE 2100

**Tucson, Arizona 85701-1412**

(520) 740-5750  
FAX (520) 620-6556

September 1, 2005

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Ladies and Gentlemen:

The attorneys of this office are admitted to practice in the State of Arizona and have acted as counsel to Pima County, a political subdivision of the State of Arizona (the "Local Borrower"), which has entered into a Loan Agreement, dated May 11, 2004 (the "2004 Loan Agreement") with the Water Infrastructure Finance Authority of Arizona (the "Authority") and Amendment No. 1 to Loan Agreement, dated September 1, 2005 (the "2005 Loan Amendment" and, together with the 2004 Loan Agreement, the "Loan Agreement"), and have acted as such in connection with the authorization, execution and delivery by the Local Borrower of the Loan Agreement.

In so acting this office has examined the Constitution and laws of the State of Arizona and has also examined originals, or copies certified or otherwise identified to our satisfaction, of the following:

- (a) the 2004 Loan Agreement and the 2005 Loan Amendment; and
- (b) proceedings of the governing board of the Local Borrower relating to the approval of the Loan Agreement and the execution, issuance and delivery thereof on behalf of the Local Borrower, and the authorization of the undertaking and completion of the Project (as defined in the Loan Agreement).

Except as qualified herein, this office has also examined and relied upon originals, or copies certified otherwise authenticated to our satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in our judgment we deemed necessary or appropriate to enable us to render the opinions expressed below.

Based upon the foregoing, we are of the opinion that:

1. To the best of my knowledge, after such investigation as I have deemed appropriate, the authorization, execution and delivery of the Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions contemplated therein and the undertaking and completion of the Project do not and will not contravene any existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or governmental or administrative agency, authority or person having jurisdiction over the Local Borrower or its property or assets or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing trust agreement, indenture, mortgage, deed of trust or other agreement to which the Local Borrower is a party or by which it, the System (as defined in the Loan Agreement) or its property or assets is bound.

2. To the best of my knowledge, after such investigation as I have deemed appropriate, there is no litigation or other proceeding pending or threatened in any court or other tribunal of competent jurisdiction (either State or Federal) questioning the creation, organization or existence of the Local Borrower or the validity, legality or enforceability of the Loan Agreement, or the undertaking or completion of the Project.

This opinion is rendered on the basis of Federal law and the laws of the State of Arizona as enacted and construed on the date hereof. I express no opinion as to any matter not set forth in the numbered paragraphs herein.

I hereby authorize Squire, Sanders & Dempsey L.L.P., as Special Counsel, to rely on this opinion as if I had addressed this opinion to them in addition to you.

Very truly yours,

PIMA COUNTY ATTORNEY

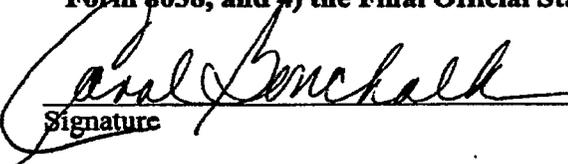
By:  \_\_\_\_\_  
Deputy County Attorney

## 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: WIFA Sewer Revenue Loan 2004	
3. Dated Date: 5/11/2004 Closing Date: 5/11/2004	4. Par Amount: \$18,015,219
5. Overall Interest rate (NIC): 3.310%	6. Type of Bond or Security: Sewer Revenue
7. Repayment sources: Sewer Revenue	
8. Total amount outstanding: \$ 157,608,602	9. Total amount outstanding of senior or subordinate bonds: \$ 157,608,602
10. Original issue price: a. Par Amount (Principal Amount) \$18,015,219.00	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: N/A  <b>For general obligation Bonds:</b> a. Secondary net assessed value: \$ b. Debt limit percentage: c. Total debt limit: \$
b. Original issue Discount (-) 0.00	
c. Premium Amount (+) \$ 0.00	
d. Original Issue Price (=) \$18,015,219.00	
e. Underwriter Compensation (Discount) (-) \$ 0.00	
f. Net Proceeds (=) \$18,015,219.00	
12. Available debt limit: \$	13. Total amount authorized:
14. Remaining authorized amount: \$ 5,894,781	15. If voter authorized, Election dates: May 20, 1997

**16 - 19 Please attached 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 11, 2004  
Date

**Title, address and phone number**

**Trustee name, address and phone number**

**Political Subdivision Contact name, address, phone number**

Carol Bonchalk, Finance Director  
Pima County, Arizona  
130 W. Congress St., 7th Floor  
Tucson, AZ 85701  
(520) 740-8494

Carol Bonchalk, Finance Director  
Pima County, Arizona  
130 W. Congress St., 7th Floor  
Tucson, AZ 85701  
(520) 740-8494

Submit this form with attachments within 60 days of issuance to:  
Arizona Department of Revenue  
Attention: Econometrics Section  
1600 W. Monroe  
Phoenix, Arizona 85007

**Arizona Department of Revenue**  
**Report of Bond and Security Issuance**  
**Schedule 1**

For each maturity date, list 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 + 10e = 10f.

Name of Issue: Pima County, Arizona WIFA Sewer Revenue Loan 2004

Par Amount: \$18,015,219

Date Closed: 5/11/2004

Maturity Date (July 1)	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
2007	\$748,129.33	3.310%	3.310%	\$748,129.33	\$0.00
2008	772,892.41	3.310%	3.310%	772,892.41	0.00
2009	798,475.15	3.310%	3.310%	798,475.15	0.00
2010	824,904.68	3.310%	3.310%	824,904.68	0.00
2011	852,209.02	3.310%	3.310%	852,209.02	0.00
2012	880,417.14	3.310%	3.310%	880,417.14	0.00
2013	909,558.95	3.310%	3.310%	909,558.95	0.00
2014	939,665.35	3.310%	3.310%	939,665.35	0.00
2015	970,768.27	3.310%	3.310%	970,768.27	0.00
2016	1,002,900.70	3.310%	3.310%	1,002,900.70	0.00
2017	1,036,096.72	3.310%	3.310%	1,036,096.72	0.00
2018	1,070,391.52	3.310%	3.310%	1,070,391.52	0.00
2019	1,105,821.48	3.310%	3.310%	1,105,821.48	0.00
2020	1142,424.17	3.310%	3.310%	1142,424.17	0.00
2021	1,180,238.41	3.310%	3.310%	1,180,238.41	0.00
2022	1,219,304.30	3.310%	3.310%	1,219,304.30	0.00
2023	1,259,663.27	3.310%	3.310%	1,259,663.27	0.00
2024	1,301,358.13	3.310%	3.310%	1,301,358.13	0.00
<b>TOTAL</b>	<b>\$18,015,219.00</b>			<b>\$18,015,219.00</b>	<b>0.00</b>
10e Underwriter's Compensation and/or Placement Agent Fee, if any				\$0.00	
10f Net Proceeds (as shown on issuance form)				\$18,015,219.00	

**16. COSTS OF ISSUANCE**

<b>Service</b>	<b>Cost</b>
Bond Counsel	\$18,015.00
Financial Advisor	15,313.00
Registrar/Paying Agent	-0-
Miscellaneous	-0-
<b>TOTAL</b>	<b>\$33,328.00</b>

17. Debt Service Schedule – See attached copy (Exhibit A).

18. Form 8038G – No Form 8038 filed.

19. Official Statement – No Official Statement.

# EXHIBIT A

**Section 3: Loan Repayment Schedule**  
**Pima County**  
**29-Apr-04**

Year Period		Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment
1	1	01/01/05	3.310%	298,151.87		
1	2	07/01/05	3.310%	298,151.87		596,303.75
2	3	01/01/06	3.310%	298,151.87		
2	4	07/01/06	3.310%	298,151.87		596,303.75
3	5	01/01/07	3.310%	298,151.87		
3	6	07/01/07	3.310%	298,151.87	748,129.33	1,344,433.08
4	7	01/01/08	3.310%	285,770.33		
4	8	07/01/08	3.310%	285,770.33	772,892.41	1,344,433.08
5	9	01/01/09	3.310%	272,978.96		
5	10	07/01/09	3.310%	272,978.96	798,475.15	1,344,433.08
6	11	01/01/10	3.310%	259,764.20		
6	12	07/01/10	3.310%	259,764.20	824,904.68	1,344,433.08
7	13	01/01/11	3.310%	246,112.03		
7	14	07/01/11	3.310%	246,112.03	852,209.02	1,344,433.08
8	15	01/01/12	3.310%	232,007.97		
8	16	07/01/12	3.310%	232,007.97	880,417.14	1,344,433.08
9	17	01/01/13	3.310%	217,437.07		
9	18	07/01/13	3.310%	217,437.07	909,558.95	1,344,433.08
10	19	01/01/14	3.310%	202,383.86		
10	20	07/01/14	3.310%	202,383.86	939,665.35	1,344,433.08
11	21	01/01/15	3.310%	186,832.40		
11	22	07/01/15	3.310%	186,832.40	970,768.27	1,344,433.08
12	23	01/01/16	3.310%	170,766.19		
12	24	07/01/16	3.310%	170,766.19	1,002,900.70	1,344,433.08
13	25	01/01/17	3.310%	154,168.18		
13	26	07/01/17	3.310%	154,168.18	1,036,096.72	1,344,433.08
14	27	01/01/18	3.310%	137,020.78		
14	28	07/01/18	3.310%	137,020.78	1,070,391.52	1,344,433.08
15	29	01/01/19	3.310%	119,305.80		
15	30	07/01/19	3.310%	119,305.80	1,105,821.48	1,344,433.08
16	31	01/01/20	3.310%	101,004.46		
16	32	07/01/20	3.310%	101,004.46	1,142,424.17	1,344,433.08
17	33	01/01/21	3.310%	82,097.34		
17	34	07/01/21	3.310%	82,097.34	1,180,238.41	1,344,433.08
18	35	01/01/22	3.310%	62,564.39		
18	36	07/01/22	3.310%	62,564.39	1,219,304.30	1,344,433.08
19	37	01/01/23	3.310%	42,384.90		
19	38	07/01/23	3.310%	42,384.90	1,259,663.27	1,344,433.08
20	39	01/01/24	3.310%	21,537.48		
20	40	07/01/24	3.310%	21,537.48	1,301,358.13	1,344,433.08
				7,377,183.94	18,015,219.00	25,392,402.94

# EXHIBIT A

**Snell & Wilmer**  
L.L.P.  
LAW OFFICES

One South Church Avenue  
Suite 1500  
Tucson, Arizona 85701-1630  
(520) 882-1200  
Fax: (520) 884-1294  
www.swlaw.com  
Timothy E. Pickrell  
Partner  
520-882-1264  
tpickrell@swlaw.com

TUCSON, ARIZONA  
PHOENIX, ARIZONA  
IRVINE, CALIFORNIA  
SALT LAKE CITY, UTAH  
DENVER, COLORADO  
LAS VEGAS, NEVADA

May 14, 2004

**VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Arizona Department of Revenue  
Attention: Econometrics Section  
1600 West Monroe  
Phoenix, Arizona 85007

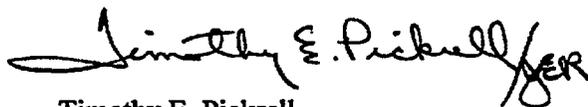
Re: \$18,015,219 Pima County, Arizona Water Infrastructure Authority of Arizona  
Sewer Revenue Loan, Dated May 11, 2004

Dear Sir or Madam:

Enclosed is a completed Report of Bond and Security Issuance for the above described matter. Please call me if you have any questions.

Very truly yours,

SNELL & WILMER L.L.P.



Timothy E. Pickrell

TEP/jer  
enclosure

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

7000 1670 0001 8422 9449

**OFFICIAL USE**  
 PHOENIX AZ 85007

Postage	\$ 0.60
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage</b>	<b>4.65</b>



Sent To: Arizona Dept. of Revenue  
 Attention: Econometrics Section  
 Street, Apt: 1600 West Monroe  
 City, State: Phoenix, Arizona 85007  
 PS Form 3811, July 1999

PIMA  
WIFA  
2004

**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  
 Attention: Econometrics Section  
 1600 West Monroe  
 Phoenix, Arizona 85007

**COMPLETE THIS SECTION ON DELIVERY**

A. Received by (Please Print Clearly) \_\_\_\_\_ B. Date of Delivery \_\_\_\_\_

C. Signature: **RECEIVED**  Agent  Addressee

X \_\_\_\_\_

D. Is delivery address different from item 1?  Yes  
 If YES, enter delivery address below:  No

05/17/04

ARIZONA DEPARTMENT OF REVENUE  
 DOCUMENT PROCESSING

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 (Copy from service label)  
 7000 1670 0001 8422 9449



**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 GENERAL OBLIGATION BONDS, SERIES 2005

Par Amount: \$1,952,112.00

Date Closed: September 1, 2005

<u>Maturity Date (July 1)</u>	<u>Par Amount (Principal Amount) 10a</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>Original Issue Price</u>	<u>Premium or Discount 10b or 10c</u>
2007	\$81,066.58	3.310%	3.310%	\$81,066.58	0.00
2008	83,749.89	3.310	3.310	83,749.89	0.00
2009	86,522.01	3.310	3.310	86,522.01	0.00
2010	89,385.88	3.310	3.310	89,385.88	0.00
2011	92,344.56	3.310	3.310	92,344.56	0.00
2012	95,401.17	3.310	3.310	95,401.17	0.00
2013	98,558.94	3.310	3.310	98,558.94	0.00
2014	101,821.24	3.310	3.310	101,821.24	0.00
2015	105,191.53	3.310	3.310	105,191.53	0.00
2016	108,673.37	3.310	3.310	108,673.37	0.00
2017	112,270.45	3.310	3.310	112,270.45	0.00
2018	115,986.61	3.310	3.310	115,986.61	0.00
2019	119,825.76	3.310	3.310	119,825.76	0.00
2020	123,791.99	3.310	3.310	123,791.99	0.00
2021	127,889.51	3.310	3.310	127,889.51	0.00
2022	132,122.65	3.310	3.310	132,122.65	0.00
2023	136,495.92	3.310	3.310	136,495.92	0.00
2024	141,013.93	3.310	3.310	141,013.94	0.00
<b>Total</b>	\$1,952,112.00			\$1,952,112.00	
<b>10e Underwriter's Discount and/or Placement Agent Fee, if any</b>					
<b>10f Net Proceeds (as shown on issuance form)</b>				\$1,952,112.00	

ATTACHMENT TO  
REPORT OF BOND AND SECURITY ISSUANCE

Name of Issue: PIMA COUNTY, ARIZONA  
SEWER REVENUE LOAN 2005  
WATER INFRASTRUCTURE FINANCE AUTHORITY

16. COSTS OF ISSUANCE

Bond Counsel	\$7,500
Financial Advisor	-0-
Miscellaneous	<u>-0-</u>
 Total:	 \$7,500

- 17. Debt Service Schedule – See Attached Copy (Exhibit A)
- 18. Form 8038-G – See Attached Copy
- 19. Official Statement – No Official Statement prepared

**Section 2: Loan Repayment Schedule**  
**Pima County**  
**07-Sep-05**

Year Period		Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment
1	1	01/01/05	3.310%	32,307.45		
1	2	07/01/05	3.310%	32,307.45		64,614.91
2	3	01/01/06	3.310%	32,307.45		
2	4	07/01/06	3.310%	32,307.45		64,614.91
3	5	01/01/07	3.310%	32,307.45		
3	6	07/01/07	3.310%	32,307.45	81,066.58	145,681.49
4	7	01/01/08	3.310%	30,965.80		
4	8	07/01/08	3.310%	30,965.80	83,749.89	145,681.49
5	9	01/01/09	3.310%	29,579.74		
5	10	07/01/09	3.310%	29,579.74	86,522.01	145,681.49
6	11	01/01/10	3.310%	28,147.80		
6	12	07/01/10	3.310%	28,147.80	89,385.89	145,681.49
7	13	01/01/11	3.310%	26,668.47		
7	14	07/01/11	3.310%	26,668.47	92,344.56	145,681.49
8	15	01/01/12	3.310%	25,140.16		
8	16	07/01/12	3.310%	25,140.16	95,401.16	145,681.49
9	17	01/01/13	3.310%	23,561.27		
9	18	07/01/13	3.310%	23,561.27	98,558.94	145,681.49
10	19	01/01/14	3.310%	21,930.12		
10	20	07/01/14	3.310%	21,930.12	101,821.24	145,681.49
11	21	01/01/15	3.310%	20,244.98		
11	22	07/01/15	3.310%	20,244.98	105,191.53	145,681.49
12	23	01/01/16	3.310%	18,504.06		
12	24	07/01/16	3.310%	18,504.06	108,673.37	145,681.49
13	25	01/01/17	3.310%	16,705.52		
13	26	07/01/17	3.310%	16,705.52	112,270.45	145,681.49
14	27	01/01/18	3.310%	14,847.44		
14	28	07/01/18	3.310%	14,847.44	115,986.61	145,681.49
15	29	01/01/19	3.310%	12,927.86		
15	30	07/01/19	3.310%	12,927.86	119,825.76	145,681.49
16	31	01/01/20	3.310%	10,944.75		
16	32	07/01/20	3.310%	10,944.75	123,792.00	145,681.49
17	33	01/01/21	3.310%	8,895.99		
17	34	07/01/21	3.310%	8,895.99	127,889.51	145,681.49
18	35	01/01/22	3.310%	6,779.42		
18	36	07/01/22	3.310%	6,779.42	132,122.65	145,681.49
19	37	01/01/23	3.310%	4,592.79		
19	38	07/01/23	3.310%	4,592.79	136,495.91	145,681.49
20	39	01/01/24	3.310%	2,333.78		
20	40	07/01/24	3.310%	2,333.78	141,013.93	145,681.49
				799,384.64	1,952,112.00	2,751,496.64

**FORM 8038-G TO BE FILED  
AFTER PIMA COUNTY DRAWS DOWN \$50,000  
OF AMENDED AMOUNT LOAN**

October 3, 2005

**VIA CERTIFIED MAIL**

Arizona Department of Revenue  
Attention: Econometrics Section  
1600 West Monroe  
Phoenix, Arizona 85007

**Re: \$19,967,331 Pima County, Arizona Water Infrastructure Authority of Arizona  
Sewer Revenue Loan (Comprising \$18,015,219 Loan Dated May 11, 2004 and \$1,952,112  
Loan Amendment Dated September 1, 2005)**

Ladies and Gentlemen:

Enclosed is a completed Report of Bond and Security Issuance for the above-referenced financing.  
Please call me if you have any questions.

Very truly yours,

  
Timothy E. Pickrell

TEP/mn  
Enclosure

\$19,967,331  
Pima County, Arizona Water Infrastructure Authority of Arizona  
Sewer Revenue Loan  
(Comprising \$18,015,219 Loan Dated May 11, 2004 and  
\$1,952,112 Loan Amendment Dated September 1, 2005)

---

**CERTIFICATE OF MAILING**

---

I hereby certify and declare that I caused to be mailed by certified mail, return receipt requested, the Report of Bond and Security Issuance for the above-captioned bond issue addressed to the Arizona Department of Revenue, Econometrics Section, 1600 West Monroe Street, 9<sup>th</sup> Floor, Phoenix, Arizona 85007, on October 3, 2005.

  
Timothy E. Pickrell

SUBSCRIBED AND SWORN to before me this 3<sup>rd</sup> day of October, 2005.

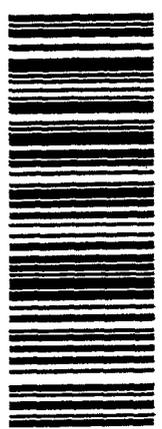
  
Notary Public

My Commission Expires:



**MARGE TUCCI ELZA**  
Notary Public - Arizona  
Maricopa County  
Expires 06/09/09

GENERIC MAIL



9826 ET15 5000 0990 2002  
9826 ET15 5000 0990 2002

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only: No Insurance)



**OFFICIAL**

Postage	\$ 1.00
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 4.05</b>

047J82008003  
\$00.000  
10/03/2005  
Mailed From 85004  
US POSTAGE

Sent To **Arizona Department of Revenue**  
 Street, Apt. No., or PO Box No. **1600 W. Monroe, 9th Fl**  
 City, State, ZIP+4 **Phoenix, AZ 85007**

# Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona }  
County of Pima } ss

*I, Jane S. Williams, do hereby certify that I am the duly appointed, qualified, and acting Clerk of the Board of Supervisors of Pima County, Arizona.*

*I further certify that the attached resolution entitled*

RESOLUTION NO. 1991-138

AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$60,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1991.

(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*  
18th day of June, 19 91, *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*  
23rd day of August, 19 91.

*Jane S. Williams*  
Clerk

rev00005TC FHR:gmh 061791.5

RESOLUTION NO. 1991-138

AUTHORIZING THE ISSUANCE AND SALE OF NOT TO  
EXCEED \$60,000,000 PRINCIPAL AMOUNT OF PIMA  
COUNTY, ARIZONA SEWER REVENUE REFUNDING  
BONDS, SERIES 1991

Passed and adopted by the Pima County Board  
of Supervisors on June 18, 1991

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RESOLUTION NO. 1991-138

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$60,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1991; PRESCRIBING THE FORM AND OTHER DETAILS OF SAID BONDS; PROVIDING FOR THE COLLECTION AND DISPOSITION OF THE REVENUES TO BE DERIVED FROM THE COUNTY'S SEWER SYSTEM; MAKING OTHER PROVISIONS WITH RESPECT TO THE OPERATION OF SAID SEWER SYSTEM; PROVIDING FOR THE SECURITY AND PAYMENT OF SAID BONDS; AUTHORIZING THE EXECUTION OF A DEPOSITORY TRUST AGREEMENT FOR THE SAFEKEEPING AND HANDLING OF THE SECURITIES PURCHASED WITH THE PROCEEDS OF THE BONDS; AUTHORIZING THE EXECUTION OF A REGISTRAR, TRANSFER AND PAYING AGENT AGREEMENT; AUTHORIZING THE PURCHASE OF BOND AND RESERVE FUND INSURANCE OR GUARANTIES; APPROVING THE DISTRIBUTION OF A FINAL OFFICIAL STATEMENT; AND RATIFYING THE ACTIONS OF ALL OFFICERS AND AGENTS OF THE COUNTY WITH RESPECT TO THE BONDS AND THE PRELIMINARY OFFICIAL STATEMENT.

WHEREAS, pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended, Pima County, Arizona (the "County") will refund the following respective maturities and amounts of the County's revenue bonds issued for sewer purposes:

Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980

<u>Maturity Date (February 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	\$ 445,000	8.00%
1993	480,000	8.00%
1994	515,000	8.00%
1995	555,000	7.00%
2010	16,345,000	7.70%

Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	250,000	11.50%
1993	250,000	11.50%
1994	250,000	11.50%
1995	300,000	11.50%
1996	300,000	11.50%
1997	325,000	10.10%
1998	325,000	9.50%
1999	1,300,000	9.50%
2000	1,425,000	9.60%
2001	1,575,000	9.60%
2002	1,750,000	9.70%

Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	470,000	7.00%
1993	510,000	7.25%
1994	570,000	7.50%
1995	605,000	7.70%
1996	660,000	7.80%
1997	715,000	7.90%
1998	815,000	8.00%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	340,000	8.40%
1993	370,000	8.40%
1994	405,000	8.00%
1995	435,000	6.40%
1996	475,000	6.50%
1997	515,000	6.65%
1998	560,000	6.75%
1999	610,000	6.90%
2000	665,000	7.00%
2001	720,000	7.10%
2002	785,000	7.10%
2003	850,000	7.20%
2004	925,000	7.20%
2005	1,005,000	6.40%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986), dated October 1, 1986

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	350,000	8.25%
1993	375,000	8.25%
1994	400,000	8.25%
1995	425,000	8.25%
1996	450,000	6.70%
1997	475,000	6.40%
1998	525,000	6.60%
1999	550,000	6.70%
2000	600,000	6.80%
2001	650,000	6.90%
2002	700,000	6.90%

2003	750,000	7.00%
2004	800,000	7.00%
2005	875,000	6.25%
2006	925,000	6.25%

Pima County, Arizona, Sewer Revenue Bonds, Series of 1988,  
dated March 1, 1988

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	290,000	8.75%
1993	310,000	8.75%
1994	330,000	8.75%
1995	355,000	8.75%
1996	380,000	8.75%
1997	405,000	7.70%
1998	435,000	6.75%
1999	470,000	6.80%
2000	505,000	7.00%
2001	540,000	7.10%
2002	585,000	7.20%
2003	630,000	7.25%
2004	680,000	7.30%
2005	735,000	7.00%
2006	795,000	7.00%
2007	860,000	7.00%
2008	930,000	7.00%

The foregoing revenue bonds are hereinafter referred to as the  
"Bonds Being Refunded"; and

WHEREAS, the Bonds will be sold to a syndicate  
managed by Rauscher Pierce Refsnes, Inc. (collectively, the  
"Purchaser"); and

WHEREAS, by this resolution, this Board of  
Supervisors (the "Board") will authorize and provide for the  
issuance and sale of not to exceed \$60,000,000 principal  
amount of Pima County, Arizona Sewer Revenue Refunding Bonds,  
Series 1991 to advance refund the Bonds Being Refunded, set  
the maximum interest rate thereon, maximum term of the Series  
1991 Bonds, maximum principal amount of Bonds to be issued and  
authorize the Chairman to accept an offer of the Purchasers  
(the "Offer") to purchase the Bonds and to execute the Bond  
Purchase Contract binding the County to issue and deliver the  
Bonds if the Offer is within the maximum amounts, terms and  
rates prescribed herein and the Chairman determines it to be  
in the County's best interest to accept the Offer; and

WHEREAS, all acts, conditions and things required by  
the Constitution and the laws of the State of Arizona (the  
"State") to happen, exist and be performed precedent to and in

the adoption of this resolution have happened, exist and have been performed as required to make this resolution a valid and binding instrument for the security of the Bonds authorized herein; and

WHEREAS, this Board is now empowered to proceed with the issuance and sale of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. Authority. The Bonds authorized herein are issued pursuant to Section 11-264.01, Arizona Revised Statutes, as amended, and other applicable provisions of law. This resolution will stay in full force and effect until all Bonds authorized hereunder are fully paid or provided for and all Policy Costs shall have been paid in full.

Section 2. Definitions; Interpretation.

A. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

"Accreted Value" shall mean, with respect to Capital Appreciation Bonds, as of the date of calculation, the initial principal amount thereof plus interest accrued thereon to such calculation date, compounded from the date of initial delivery at the interest rate thereof on stated dates, as set forth in the resolution authorizing the issuance of such Capital Appreciation Bonds.

"Agreement" shall mean any agreement between a Reserve Fund Guarantor and the County, pertaining to a Reserve Fund Guarantor's reimbursement in the event of a Drawdown, as such Agreement may be amended, modified or supplemented from time to time.

"Assumed Interest Rate" shall mean an interest rate for Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate which Bonds of such series may bear under the terms of their issuance or (ii) the rate of interest then established for long-term bonds by the 30-year revenue bond index most recently published by The Bond Buyer of New York, New York prior to the date of computation (or in the absence of such published index, some other index selected in good faith by the Finance Director of the County after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

"Average Annual Debt Service" shall mean, at the time of computation, the average of each Bond Year's aggregate scheduled Bond principal and interest requirements; when

computing Average Annual Debt Service, Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate and Bonds subject to mandatory redemption shall be treated as maturing on their respective mandatory redemption dates and not at their stated maturity date and interest shall be deemed to cease on Bonds subject to mandatory redemption at the scheduled mandatory redemption dates.

"Beneficial Owner" shall mean the owner of any beneficial interest in any Book-Entry Bond as shown on the records of any Direct or Indirect Participant.

"Board" shall mean the Board of Supervisors of the County.

"Bond Fund" shall mean the Bond Fund created pursuant to Section 10 hereof.

"Bond Insurer" shall mean an issuer of a Municipal Bond Insurance Policy pertaining to the Bonds or any part thereof.

"Bond Register" shall mean the registration books pertaining to the ownership and transfer of the Bonds maintained by the Bond Registrar on behalf of the County.

"Bond Registrar" shall mean The Valley National Bank of Arizona, or its successor as bond registrar.

"Bonds" shall mean the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, authorized to be issued herein and all Parity Bonds.

"Bond Year" shall mean initially the period from the date of the Series 1991 Bonds to July 1, 1992, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

"Book-Entry Bonds" shall mean, initially, all Series 1991 Bonds and such other series or portion of a series of Parity Bonds which are hereafter designated by the County as Book-Entry Bonds.

"Capital Appreciation Bonds" shall mean Parity Bonds whose interest component is compounded semiannually on stated dates until maturity or to a date on which such Capital Appreciation Bonds are converted to Bonds paying interest semiannually, if so permitted or required.

"Capitalized Reserve Account" shall mean the Capitalized Reserve Account created pursuant to Section 10 hereof.

"Chairman" means the Chairman of the Board.

"Clerk" shall mean the Clerk of the Board.

"Construction Fund" shall mean the Construction Fund created pursuant to Section 10 hereof.

"Contributed Reserve Account" shall mean the Contributed Reserve Account created pursuant to Section 10 hereof.

"County" shall mean Pima County, Arizona.

"Deficiency" shall mean the difference between (i) the total amount due on a principal or interest payment date for the Bonds and (ii) the amount that has been deposited in the Bond Fund for payment to the Owners (which amount shall not include payments made pursuant to a Municipal Bond Insurance Policy or a Reserve Fund Guaranty but shall include all moneys transferred from the Reserve Fund to the Bond Fund or available in the Reserve Fund for such transfer).

"Depository Trust Agreement" shall mean the agreement between the County and The Valley National Bank of Arizona, as Trustee, regarding the holding in trust of the securities purchased to secure payment of the Bonds Being Refunded and other matters.

"Direct Participant" or "DTC Participant" shall mean any broker-dealer, bank or other financial institution for which the DTC holds Book-Entry Bonds from time to time as a securities depository.

"Drawdown" shall mean any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

"Drawdown Date" shall mean the date on which the Paying Agent makes a Drawdown.

"DTC" shall mean the Depository Trust Company, the depository for the Book-Entry Bonds.

"Finance Director" shall mean the Pima County Finance Director.

"Fiscal Year" shall mean the twelve month period beginning each July 1 and ending on June 30th of the next succeeding year.

"Government Obligations" shall mean (i) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, (ii) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury; and (iii) pre-refunded municipal obligations meeting the following criteria:

- (a) the municipal obligations may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;
- (b) the municipal obligations are secured by cash or securities described in subparagraphs (i) and (ii) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal and premium payments of such municipal obligations;
- (c) the principal of and interest on the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;
- (d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and
- (e) the Defeasance Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

"Indirect Participant" shall mean any financial institution for whom any Direct Participant holds an interest in a Book-Entry Bond.

"Maximum Annual Debt Service" shall mean, at the time of computation, the greatest scheduled Bond principal and interest requirements occurring in the then-current, or any subsequent, Bond Year on all Bonds Outstanding; when computing Maximum Annual Debt Service, Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate and Bonds subject to mandatory redemption shall be treated as maturing on their respective mandatory redemption dates and not at their stated maturity date and interest shall be deemed to cease on Bonds subject to mandatory redemption at the scheduled mandatory redemption dates.

"Municipal Bond Insurance Policy" shall mean any Municipal Bond Insurance Policy insuring the payment of the principal of and interest on all or any part of the Bonds according to their terms.

"Net Revenues" shall mean Revenues remaining after deducting Operating Expenses.

"Operating Expenses" shall mean the reasonable and necessary costs of System operation, maintenance, and repair, including salaries, wages, cost of materials and supplies, and insurance, but shall exclude depreciation, payments into the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund.

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

(a) Bonds theretofore cancelled or delivered for cancellation;

(b) Bonds that are deemed paid and no longer Outstanding as provided herein; and

(c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen, lost or mutilated, unless evidence satisfactory to the County Treasurer has been received that any such Bond is owned by a bona fide purchaser.

"Owner", except as provided in Section 17(B), shall mean any person who shall be the registered owner of any Bond or Bonds Outstanding (including, with respect to a Book-Entry Bond, DTC or a successor depository).

"Parity Bonds" shall mean any additional Bonds issued in accordance with Section 13 hereof.

"Paying Agent" shall mean The Valley National Bank of Arizona, or its successor as paying agent.

"Permitted Investments" shall mean, to the extent permitted by law:

1. Direct and general obligations of the United States of America, or obligations unconditionally guaranteed as to principal and interest by the same.

Also permitted are evidences of ownership of proportionate interests in future interest and principal payments of the above United States obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a Bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

2. Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

- (a) Federal Home Loan Bank System;
- (b) Export-Import Bank of the United States;
- (c) Federal Financing Bank;
- (d) Government National Mortgage Association;
- (e) Farmers Home Administration;
- (f) Federal Home Loan Mortgage Company;
- (g) Federal Housing Administration;
- (h) Private Export Funding Corporation;
- (i) Federal National Mortgage Association; and
- (j) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury.

3. Pre-refunded municipal obligations meeting the following conditions:

- (a) the bonds are not to be callable prior to maturity or the trustee has been given irrevocable instructions concerning their calling and redemption;
- (b) the bonds are secured by cash or Permitted Investments described in No. 1 (the "United States Obligations") which may be applied only to interest, principal, and premium payments of such bonds;
- (c) the principal of and interest on the United States Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the bonds;
- (d) the United States Obligations serving as security for the bonds are held by an escrow agent or trustee; and

(e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

4. Direct and general long-term obligations of any state on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service (hereinafter referred to as Moody's) or Standard and Poor's Corporation (hereinafter referred to as S&P) or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

5. Direct and general short term obligations of any state described in No. 4 above which are rated in the highest rating category by either Moody's or S&P or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in the highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

6. Interest bearing demand or time deposits issued by state banks, savings and loan associations or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation (FDIC). These deposits must be (a) continuously and fully insured by FDIC, (b) with banks that are rated at least P-1 by Moody's or at least A-1 by S&P, or (c) fully secured by direct and general obligations of the United States, or those which are unconditionally guaranteed as to principal and interest by the same. Such United States' securities must have a market value at all times at least equal to the principal amount of the deposits. The United States' securities must be held by the County or the Bond Registrar and Paying Agent (who shall not be the provider of the collateral), or any Federal Reserve Bank or Depository, as custodian for the institution issuing the deposits. The County or the Bond Registrar and Paying Agent should have a perfected first lien in the United States Obligations serving as collateral, and that collateral is to be free from all third party liens.

7. Long-term or medium-term corporate debt guaranteed by any corporation rated by Moody's and S&P in their two highest rating categories.

8. Repurchase agreements, the maturity of which are less than thirty (30) days, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation or with a dealer or parent holding company rated investment grade by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits. The repurchase agreement should be secured by direct and general obligations of the United States of America or those unconditionally guaranteed as to principal and interest by the same. The United States obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreement. The County or the Paying Agent (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral. The obligations serving as collateral must be free from all third party claims.

9. Prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's or at least "A-1" by S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

10. Interests in money market portfolios issued by state banks, trust companies, savings and loan associations, or national banking associations which are members of the FDIC. Such interest should be (a) fully insured by FDIC; or (b) secured by direct and general obligations of the United States or those guaranteed as to principal and interest by the same. The collateral obligations must have a market value, exclusive of accrued interest, at least equal to the principal amount of the interests in the money markets and should be held by a custodian.

11. Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

12. Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which has been rated in the highest rating categories by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits, or money market accounts of the Trustee or any state or federal bank which is rated at least P-1 by Moody's or at least A-1 by S&P or whose one bank holding company parent is rated at least A-1 by S&P or at least P-1 by Moody's; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in a comparable rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such entities, all to the extent not fully insured by FDIC having a combined capital and surplus of not less than \$50,000,000 at the time of any such deposit.

Any other provision of this definition of Permitted Investments to the contrary notwithstanding, from and after the execution of the initial Agreement, this definition shall be deemed amended to conform to the definition set forth in such Agreement.

"Policy Costs" shall mean the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown(s) pursuant to the terms of an Agreement including, without limitation, the amount of any Drawdown, such Reserve Fund Guarantor's expenses (including any legal expenses) and interest thereon at the Reimbursement Rate until paid.

"Purchasers" shall mean, with respect to the Series 1991 Bonds, Rauscher Pierce Refsnes, Inc., Dean Witter Reynolds, Inc., First Southwest Company, Pracock, Hislop, Staley & Given, Inc. and Piper Jaffray & Hopwood, Inc.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 10 hereof.

"Record Date" shall mean the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day).

"Reimbursement Fund" shall mean the Reimbursement Fund created pursuant to Section 10 hereof.

"Reimbursement Period" shall mean, with respect to any Drawdown, the period commencing on the Drawdown Date and ending on the first anniversary of a Drawdown Date.

"Reimbursement Rate" shall mean the respective rate of interest to be paid by the County to reimburse a Reserve Fund Guarantor after a Drawdown as set forth in the respective Agreement.

"Representation Letter" shall mean letters to, or agreements with, a depository for Book-Entry Bonds to effectuate a book entry system with respect to certain Bonds registered in the Bond Register under the nominee name of the depository.

"Reserve Fund" shall mean the Reserve Fund created pursuant to Section 10 hereof.

"Reserve Fund Guarantor" shall mean, with respect to any series of Bonds, the issuer of a surety bond, letter of credit or line of credit or insurance policy executed and delivered to the Paying Agent as a Reserve Fund Guaranty, to be issued by an entity experienced in insuring municipal bonds or extending lines of credit with respect to municipal bonds whose insurance policies, surety bonds, letters or lines of credit will not adversely affect the Bonds' then-current rating if then rated by Moody's Investors Service or by Standard & Poor's Corporation.

"Reserve Fund Guaranty" shall mean any surety bond, letter of credit or line of credit or insurance policy executed and delivered by a Reserve Fund Guarantor to the County or the Paying Agent for the County as a reserve fund guaranty for purposes of this resolution.

"Reserve Fund Value" shall mean the value of moneys and investments credited to the Reserve Fund determined in accordance with Section 18 hereof plus the aggregate penal sums of all Reserve Fund Guaranties.

"Reserve Requirement" shall mean, initially, an amount equal to Average Annual Debt Service on the Series 1991 Bonds, which amount shall be adjusted upon the issuance of Parity Bonds to equal Average Annual Debt Service immediately after such issuance or the maximum amount the Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code of 1986, as amended, or any comparable statutory provision limiting the amount of a reasonably required reserve and replacement fund.

"Revenue Fund" shall mean the Revenue Fund created pursuant to Section 10 hereof.

"Revenues" shall mean and include all income, moneys and receipts derived by the County from the ownership, use and operation including, without limitation, interest received on, and profits realized from the sale of, investments made with System moneys (excluding from such determination interest and profits retained in either the Construction Fund or the System Development Fund pursuant to Section 10B(8)) however, the term Revenues shall not include Bond proceeds or the interest received on any Bond proceeds placed irrevocably in trust to pay, or provide for the payment of, any Bond or Bonds Being Refunded or any amounts received which the County is contractually required to pay out as reimbursement for acquisition, construction or installation of System facilities.

"Series 1991 Bonds" shall mean the series of Bonds authorized to be issued pursuant to Section 3 hereof.

"State" shall mean the State of Arizona.

"System" shall mean the County's entire sewer system, all sewer properties of every nature hereafter owned by the County and all acquisitions, improvements and extensions added thereto by the County while any Bonds remain Outstanding, including all real and personal property of every nature comprising part of, or used or useful in connection with, the County's sewer system, and including all appurtenances, contracts, leases, franchises, and other intangibles.

"System Development Fund" shall mean the system development fund created pursuant to Section 10 hereof.

"Variable Rate Obligations" shall mean any Parity Bonds which may, in the future, bear interest at rates which cannot be determined with specificity on their original issue date.

B. Interpretation.

1. Any reference herein to the County, its Board 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.

2. 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.

3. Section headings and the table of contents hereof are solely for convenience and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

4. The words "hereof" or "herein" shall refer to this resolution.

5. All accounting reports or statements required by this resolution shall be presented in accordance with generally accepted governmental accounting principles at the date of the report or statement.

Section 3. Authorization of Bonds.

A. To advance refund the Bonds Being Refunded, there are hereby authorized to be issued not to exceed \$60,000,000 principal amount of Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991. The Bonds shall never be construed to be general obligations of the County within the meaning of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended, or to create a debt of the County within the Constitution and laws of the State.

B. The Bonds are special obligations of the County payable solely from and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions hereof. Subject to Section 10(B) hereof, Net Revenues are pledged as security for the payment of the principal and redemption price of, and interest on the Bonds in accordance with their terms and the provisions hereof. All Net Revenues shall be immediately subject to the pledge of this resolution without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere herein to issue Parity Bonds nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged hereunder.

Section 4. Terms of Bonds. The Series 1991 Bonds shall be dated either the first or the 15th day of the month in which the Series 1991 Bond Purchase Agreement is executed, at the option of the Chairman, shall be numbered from 1 consecutively upwards, shall be fully registered Bonds without coupons, shall be in the denomination of \$5,000 or any integral multiple thereof, shall bear interest at a rate or rates not exceeding eight and one-half percent (8-1/2%) per

annum from the most recent January 1 or July 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date, which interest shall be payable on January 1, 1992, and semiannually thereafter on July 1 and January 1 of each year during the term of each Bond. The principal of the Bonds shall be payable at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, as Paying Agent. Interest on the Bonds shall be payable by check mailed to the Owner thereof, as shown on the Bond Register at the address appearing therein at the close of business on the Record Date. Additionally, payment may also be made by wire transfer to DTC or upon two (2) days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any Owner of Bonds (other than DTC) owning an aggregate principal amount of at least \$1,000,000. No document of any nature whatsoever need be surrendered as a condition to payment of principal of and interest on Book-Entry Bonds.

All Series 1991 Bonds will be registered so as to participate in a book-entry system with DTC (the "DTC Program"). Either the Chairman or the Finance Director is authorized to execute a Representation Letter or such other documents as may be necessary for the County to participate in the DTC Program. Upon initial issuance, the ownership of the Bonds held by DTC shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto, as nominee for DTC. The County shall have no responsibility or obligation to Direct or Indirect Participants or Beneficial Owners for which DTC holds Bonds from time to time as a depository. Without limiting the immediately preceding sentence, the County shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Direct or Indirect Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Direct or Indirect Participant or any person, other than a registered Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, or (c) the payment to any Direct or Indirect Participant or any other person, other than a registered Owner as shown in the Bond Register, of any amount with respect to the Bonds. No person other than an Owner as shown in the Bond Register shall receive a certificate evidencing a Bond or confirming ownership of a Book-Entry Bond.

The Series 1991 Bonds shall mature on July 1 of each year. The Series 1991 Bonds shall mature in such amounts in any of the years 1992 to 2015 as shall be acceptable to the Purchasers and accepted by the Chairman. No Series 1991 Bonds may mature later than July 1, 2015. The Series 1991 Bonds may be sold at a price which is below par, but the difference between the price for which the Series 1991 Bonds are sold and

their par value (exclusive of accrued interest) shall not be greater than 2 1/2 % of such par value.

The terms of Bonds included in any series of Parity Bonds shall be set forth in the resolution authorizing such Parity Bonds.

The Valley National Bank of Arizona is hereby appointed as the Bond Registrar and the Paying Agent. The Bond Registrar shall maintain the Bond Register for registration of ownership of each Bond. A Bond may be transferred on the Bond Register upon its delivery to the Bond Registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by such Bond's Owner or the Owner's attorney-in-fact or legal representative, containing written instructions as to the details of its transfer. Transfers shall not be effective until entered on the Bond Register.

In all cases upon the transfer of a Bond, the Bond Registrar will enter the transfer of ownership on the Bond Register and will authenticate and deliver in the transferee or transferee's name a new fully registered Bond or Bonds in denominations of \$5,000 or any integral multiple thereof (no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the Owner is entitled to receive. The County or the Bond Registrar will charge the Owner for every such transfer an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or governmental charge be paid before any such new Bond or Bonds shall be delivered.

The Bond Registrar shall keep the Bond Register showing the Bonds' Owners and all ownership transfers. Bonds presented to the Bond Registrar for transfer after the close of business on the Record Date and before the close of business on the next subsequent interest payment date will be registered in the transferee's name but the related interest payment will be made to the Owners shown on the Bond Register at the close of business on the Record Date.

The Bond Registrar may but need not register the transfer of a Bond which has been selected for redemption and need not register the transfer of any Bond for a period of fifteen (15) days before the selection of Bonds to be redeemed; if the transfer of any Bond 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 will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the Bond or Bonds.

Section 5. Redemption Prior to Maturity. On behalf of the County, the Chairman is authorized to agree to such provisions for redemption of the Series 1991 Bonds prior to maturity as he deems in the best interests of the County, and is authorized to include such prior redemption terms in the form of Series 1991 Bonds and to cause the Series 1991 Bonds to include such terms. The prior redemption features may include both optional and mandatory redemptions.

The Series 1991 Bonds shall be redeemed only in integral multiples of \$5,000. If less than all Outstanding Series 1991 Bonds of a single maturity are to be redeemed, the Bonds in that maturity to be redeemed shall be selected by lot in such manner as the Bond Registrar may determine.

Not more than sixty (60) nor less than thirty (30) days before any prior redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to each Reserve Fund Guarantor and to the Owner of each Bond to be redeemed at the address shown on the Bond Register. Failure to mail notice to any Owner shall not affect the validity of the proceeding for the redemption with respect to other Owners.

On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date, and, if moneys for payment of the redemption price and accrued interest are held in separate accounts by the Paying Agent, interest on such Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest and such Bonds shall be deemed paid and no longer Outstanding.

The County may redeem an amount which is included in a Bond in the denomination in excess of, but divisible by, \$5,000. In that event, the Owner shall submit the Bond for partial redemption and the Paying Agent shall make such partial payment and the Bond Registrar shall cause to be issued a new Bond in a principal amount which reflects the redemption so made to be authenticated and delivered to the Owner thereof.

Whenever Bonds which are subject to mandatory redemption are purchased, redeemed (other than pursuant to mandatory redemption) or are delivered by the County to the Paying Agent for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited against any

mandatory redemption requirements for the respective series of Bonds so purchased, redeemed or cancelled of the same maturity for such years as the County may direct.

The prior redemption terms for any Parity Bond series shall be as set forth in the resolution authorizing the issuance of such series of Bonds.

Section 6. Bond Execution. The Bonds shall be executed for the County by the Chairman and shall be attested by the Clerk by their manual or facsimile signatures and by imprinting thereon the corporate seal of the County, and such officials are authorized and directed to execute the Bonds as aforesaid.

Section 7. Source of Payment and Pledge of Revenues. The Bonds shall be payable solely from the Net Revenues. The Bonds shall be equally and ratably secured by a pledge thereof and lien thereon without priority one over the other.

Section 8. Bond Forms.

A. The Bonds shall be in substantially the form attached hereto as Exhibit A allowing those executing the Bonds to make insertions and deletions necessary to conform the Bonds to this resolution and the Offer.

B. The form of Bonds pertaining to Parity Bonds shall be determined by the County. The County shall cause the Bond forms applicable to any series of Parity Bonds to conform as nearly as practicable to the Bond form set forth in Exhibit A. Parity Bonds may be in the form of fixed interest rate Obligations, Capital Appreciation Bonds or Variable Rate Obligations or any combination thereof.

Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates).

Section 10. Creation of Funds; Application of Revenues.

A. Upon the Series 1991 Bonds' issuance, the County Treasurer shall create the following special funds and accounts to be held in trust for the Owners, Reserve Fund Guarantors or the County, as the case may be, and expended as herein provided:

1. The Pima County Sewer Revenue Bond Revenue Fund (the "Revenue Fund").

2. The Pima County Sewer Revenue Bond Operation and Maintenance Fund (the "Operation and Maintenance Fund").

3. The Pima County Sewer Revenue Bond Principal and Interest Fund (the "Bond Fund").

4. The Pima County Sewer Revenue Bond Reserve Fund Guarantor Reimbursement Fund (the "Reimbursement Fund").

5. The Pima County Sewer Revenue Bond Reserve Fund (the "Reserve Fund"), which fund also shall contain separate accounts to be known as the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Pima County Sewer Revenue Bond Rebate Fund (the "Rebate Fund").

7. The Pima County Sewer Revenue Bonds System Development Fund (the "System Development Fund").

8. The Pima County Revenue Bond Sewer Construction Fund (the "Construction Fund").

B. While any Bonds are Outstanding and unpaid either as to principal or interest, the entire Revenues shall be held in the County Treasurer's custody in the Revenue Fund. The Revenue Fund shall be disbursed only for the purposes herein authorized and only in the following order of priority:

1. Operation and Maintenance Fund. First, to the Operation and Maintenance Fund, on or before the tenth (10th) day of each month, an amount which, together with any money already on deposit in said Fund, will be sufficient to pay Operating Expenses for said month. Money in the Operation and Maintenance Fund shall be used only to pay Operating Expenses. The County may accumulate in the Operation and Maintenance Fund equitable allowances for accruals and accumulations to cover periodic Operating Expenses, including such items as insurance premiums and expenditures for

renewals, replacements and repairs normally classified as Operating Expenses. Where items such as insurance, gasoline and electrical energy are purchased by the County at large, it may allocate to the System only its share of such expenditure, which allocation shall not be contestable except for fraud or willful misconduct by the County.

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August 10, 1991, through December 10, 1991, one-fifth (1/5), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August 10, 1991, through June 10, 1992, one-eleventh (1/11), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

3. Reimbursement Fund. Third, if a Drawdown shall have occurred, there shall be deposited to the Reimbursement Fund to pay Policy Costs commencing the tenth (10th) day of the first month following a Drawdown and each month thereafter for the next succeeding eleven (11) months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs or all Policy Costs with respect to such Drawdown have been paid, an amount equal to at least one-twelfth (1/12) of the aggregate Policy Costs related to the Drawdown. Moneys in the Reimbursement Fund shall be used only to pay Reserve Fund Guarantors for Policy Costs.

Policy Costs owing to a Reserve Fund Guarantor shall be paid from the Reimbursement Fund in twelve (12) equal monthly installments commencing the tenth day of the first month following a Drawdown; provided, however, that if moneys are available in the System Development Fund the Finance

Director may elect to transfer moneys to the Reimbursement Fund and then direct that any such Policy Costs be paid at an earlier date or dates. Policy Costs with respect to any Drawdown which occurs against more than one Reserve Fund Guaranty shall be reimbursed on a pro rata basis (calculated by reference to the maximum amounts available for such reimbursement).

If the County fails to repay any Policy Costs, the Reserve Fund Guarantor or Guarantors shall be entitled to exercise all remedies available to the Owners at law or under this resolution or to any Reserve Fund Guarantor under any Agreement other than (i) acceleration of the maturity of the Bonds or (ii) any other remedies which would adversely affect the Owners' rights.

All Reserve Fund Guaranties shall be held by the Paying Agent acting as fiduciary for the Owners. All Reserve Fund Guaranties shall by their terms expire no earlier than the final maturity date of the respective series for which said Reserve Fund Guaranty applies.

4. Reserve Fund. Fourth, on or before the tenth (10th) day of each month to the Reserve Fund any amounts required to be deposited to the Reserve Fund in accordance with Section 13(A)(4)(ii) if applicable, or one-twelfth (1/12) of the amount required to restore the Reserve Fund to the Reserve Requirement after a Reserve Fund withdrawal.

If, on any principal or interest payment date, a Deficiency exists, then:

- (a) If there are investments or cash in the Reserve Fund, such investment shall be liquidated and the cash and investment proceeds transferred to the Bond Fund; and
- (b) If the Deficiency is not cured after any transfers pursuant to subparagraph (a) above, then the Paying Agent shall deliver a Drawdown request to each Reserve Fund Guarantor. All Drawdowns and Reserve Fund proceeds shall be applied solely to pay the interest on, and principal of, the Bonds then due.

All money so taken from the Reserve Fund to pay such principal and interest shall be replaced therein from the first moneys in the Revenue Fund thereafter received which are not required for current transfers into the Operation and Maintenance, Bond or Reimbursement Funds pursuant to subparagraphs (1), (2) and (3) of this Subsection.

The Reserve Fund shall contain two accounts, the Contributed Reserve Account and the Capitalized Reserve Account. The two accounts are created to segregate Reserve Fund moneys and investments to provide a means of tracking such deposits and investment income thereon for arbitrage rebate purposes. All Reserve Fund deposits made from Net Revenues or other available moneys of the County shall be deposited to the Contributed Reserve Account. All Bond proceeds deposited to the Reserve Fund shall be deposited in the Capitalized Reserve Account. Any proceedings hereinafter taken with respect to Parity Bonds may specify the amount to be deposited to either Account, so long as the minimum amount required by this resolution to be deposited to the Reserve Fund shall be so deposited. All Reserve Fund Guaranties shall be deemed deposited to, and a part of, the Capitalized Reserve Account.

If, after a Reserve Fund withdrawal, the Reserve Requirement exceeds the Reserve Fund Value, unless otherwise provided herein, such deficiency shall be made up over a twelve (12) month period by deposit of twelve (12) substantially equal payments to the Contributed Account of the Reserve Fund.

5. Rebate Fund. Fifth, to the Rebate Fund the balance remaining in the Revenue Fund until the amount in the Rebate Fund equals the amount to be deposited in the Rebate Fund for arbitrage rebate purposes during such Bond Year as determined by the Finance Director.

6. System Development Fund. Sixth, any moneys in the Revenue Fund exceeding the amounts necessary to be placed in the Operation and Maintenance Fund, the Bond Fund, the Reimbursement Fund, the Reserve Fund and the Rebate Fund shall be deposited in the System Development Fund. After all payments have been made in any month, moneys in the System Development Fund may be used (without priority): (1) for System extensions and betterments; (2) for unbudgeted maintenance and operation expenses; (3) for the redemption of Bonds then subject to optional redemption prior to maturity or to purchase from time to time in the open market any Outstanding Bonds as the Finance Director deems proper; (4) to pay general obligation bonds issued by the County for acquisition of the System or for construction of additions or improvements to the System; (5) to make loans to the County to be used for any lawful County purpose under equitable terms prescribed by the Board; or (6) used for any lawful System purpose.

7. The money in the Revenue Fund shall be allotted and paid into the various Funds hereinbefore established in the order in which said Funds are listed and if in any month the money in the Revenue Fund is insufficient to

make the required deposits to any Fund, the insufficiency shall be made up in the following month or months after payment into all Funds enjoying a prior claim to the Revenues has been met in full.

8. Money on deposit in the Revenue Fund, the Operation and Maintenance Fund, the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund may be invested and reinvested by the County in Permitted Investments. All income derived from such investments shall be regarded as System Revenues and shall be deposited in the Revenue Fund. Such investments shall be liquidated as needed and the proceeds applied to the purpose for which the respective fund or account was created. Moneys in the Construction and System Development Funds may be invested in any investment which the County is permitted by law from time to time to make. At the option of the Finance Director, income derived from investments of moneys in either the Construction or System Development Funds shall be deposited to either the Revenue Fund or retained in the respective Fund.

Section 11. Covenants Regarding the System. The County covenants and agrees with each Owner that it will:

- A. Permit no free sewer services to be furnished to any consumer or user;
- B. Maintain the System in good condition and operate the same in an efficient manner and at reasonable cost;
- C. Maintain insurance on all System properties (which may be in the form of or include an adequately-funded program of self-insurance) of the type and with the coverage normally carried by municipalities or private companies engaged in a similar business. System self-insurance may be maintained either separately or in connection with any County-wide self-insurance program; provided, that (i) any such program is in writing and has been adopted by the Board and (ii) an independent insurance or actuarial consultant appointed by the County annually reviews and certifies to the County in writing that any such program is adequate and actuarially sound. The proceeds of any such insurance, except public liability insurance, received by the County shall be pledged as security for the Bonds until used to replace the System parts damaged or destroyed, or if not so used, shall be placed in the Revenue Fund in addition to all other moneys required to be deposited therein;
- D. Cause to be kept proper books and accounts adapted to the System, and cause the books and accounts to be audited after each Fiscal Year by a recognized independent

certified public accountant firm in accordance with generally accepted governmental accounting practices;

The County will furnish copies of such audits to any Reserve Fund Guarantor and to any Owner at their request, no later than one hundred eighty (180) days after the end of each Fiscal Year;

E. Faithfully and punctually perform all its duties concerning the System required by the Constitution and laws of the State of Arizona;

F. Not sell, lease, mortgage or in any manner dispose of the System or any part thereof, including any extensions and additions that may be added thereto, until all Bonds and any County obligations under any Agreement have been paid or provided for in full. This covenant shall not be construed to prevent the disposition of property which the County determines to be inexpedient for use in connection with the System. All proceeds from such disposition shall be deposited in the Revenue Fund;

G. Prior to each Fiscal Year, prepare and adopt a budget showing the estimated Revenues and Operating Expenses for System operation and maintenance for the ensuing Fiscal Year, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any Owner upon request;

H. To the extent allowed by law, discontinue the service to any premises for which the owner or occupant shall be delinquent in the payment of System charges for a period beyond the period allowed by County policy from time to time, not resume the service until all delinquent charges, with interest and penalties, shall have been paid, and do all things and exercise all remedies legally available to assure the prompt payment of System charges;

I. Duly pay and discharge, from time to time, or cause to be paid and discharged, all taxes, assessments or other governmental charges, if any, lawfully imposed upon the System, or upon any Revenues when the same shall become due, as well as any lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon the System, or upon any Revenues, or which might impair the security of the Bonds and subject to the provisions hereof, will duly observe and conform to all valid governmental requirements pertaining to the System and to all covenants, terms and conditions hereof;

J. Deposit the net proceeds realized by the County from any eminent domain proceeding concerning the System in the Revenue Fund;

K. To the extent allowed by law, refuse to grant any franchise or permits for any competing sewer system operation in the County. This covenant shall not prohibit the County from entering into "privatization" contracts, agreements or other similar arrangements with private parties.

L. Not cause or permit the moneys in the Bond Fund, the Reimbursement Fund, the Reserve Fund or the Construction Fund to be invested in any investments except Permitted Investments.

M. Not violate the terms of any Agreement and will give all notices and perform all acts and abide by all promises contained in such Agreement or Agreements.

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

Section 13. Equality of Lien; Parity Bonds. The Bonds shall each enjoy complete parity of lien on the Net Revenues despite the fact that any Bond may have been delivered before any other Bonds. The County will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the Net Revenues having priority over or parity with the Bonds herein authorized; provided, however, that additional Parity Bonds may be issued on a parity with the Bonds herein authorized under the following conditions, but not otherwise:

A. Parity Bonds may be issued on a parity with the Bonds herein authorized only if all the following conditions are met:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt

Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

2. The payments required to be made into the various Funds provided in Section 10 hereof must be current at the time of issuance of the Parity Bonds;

3. The additional Parity Bond proceeds must be used solely to make extensions, renewals, improvements, or replacements to the System or to refund any Bonds; and

4. The Reserve Fund Value shall be increased with respect to such Parity Bonds, at the Board's option, by: (i) the immediate deposit of Parity Bond proceeds or available moneys of the County to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty to the Paying Agent, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after issuance of such Parity Bonds; or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10th

day of each month such that the Reserve Fund Value will equal or exceed the increased Reserve Requirement not later than the expiration of five years following the initial delivery of such Parity Bonds; or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the increase in the Reserve Requirement resulting from the issuance of such Bonds.

B. Any provision of this Section 13 to the contrary notwithstanding, one series of Parity Bonds having an aggregate principal amount of not to exceed \$7,000,000 may be issued prior to January 1, 1992, subject only to the conditions set forth in subparagraphs 2 through 4 of subsection A of this Section 13 but without regard to any requirements set forth in subparagraph 1 of subsection A.

#### Section 14. Bond Proceeds.

A. From the Series 1991 Bond proceeds, all accrued interest shall be deposited in the Bond Fund. All Series 1991 Bond proceeds not retained in the Bond Fund shall be delivered to the Trustee and shall be invested or expended by the Trustee as directed in the Depository Trust Agreement. The proceeds so invested or cash held by the Trustee, shall be held in trust by The Valley National Bank of Arizona, as the trustee (the "Trustee"), under the Depository Trust Agreement. After all the Bonds Being Refunded shall have become due and payable through maturity or redemption prior to maturity, any moneys or investments remaining under the Depository Trust Agreement over and above the amount necessary to be retained to pay any Bonds Being Refunded not yet presented shall be returned to the County and deposited in the Bond Fund.

B. Upon delivery of the Series 1991 Bonds, the Treasurer is ordered and directed to transfer from the reserve funds pertaining to the Bonds Being Refunded to the Construction Fund herein created all moneys and investments in such reserve funds, except amounts required by the Depository Trust Agreement to be transferred to the Trustee. All moneys so deposited to the Construction Fund shall be expended for the purposes for which the Bonds Being Refunded were originally issued.

C. All moneys deposited to the Construction Fund from the proceeds of Parity Bonds shall be held and expended solely for the purposes for which such Parity Bonds were issued.

Section 15. Resolution Incorporated Into the Bonds. The provisions of this resolution are deemed incorporated into the Bonds themselves and no change, variation or alteration of any kind in the provisions hereof shall be made in any manner, except as provided in the following Section and Section 17 hereof, until all Outstanding Bonds and interest due thereon have been paid in full or fully provided for.

Section 16. Resolution Modification.

A. Without the consent of or notice to any of the Owners, the County may modify this resolution for one or more of the following purposes:

(1) To cure any ambiguity or formal defect or omissions herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein.

(2) To grant or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(3) To secure additional Revenues for the System or provide additional security or reserves for the payment of the Bonds;

(4) To comply with the requirements of any federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(5) To permit, preserve or continue (in the event of a change in federal income tax laws (the "Code") which requires a Supplement hereto in order to continue such exclusion) the exclusion of the interest income borne on the Bonds from gross income as defined by the Code or the exemption from State income taxes and to preserve the power of the County to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized hereby) the interest income on which is likewise excluded from gross income as defined by the Code for federal income tax purposes and exempt from State income taxes;

(6) To conform the definition of Permitted Investments to the definition set forth in the initial Agreement;

(7) To vest in any Reserve Fund Guarantor the rights same rights afforded herein to any Owner or to any other Reserve Fund Guarantor;

(8) To provide such remedies and assurances as may be necessary to induce Reserve Fund Guarantors to issue Reserve Fund Guaranties or to induce Bond Insurers to issue Municipal Bond Insurance Policies with respect to the Bonds, and to conform this Resolution to the Initial Agreement.

B. Except as provided in Subsection A of this Section 16, the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding (not including in any case any Bonds that may then be held or owned by or for the County) shall have the right from time to time to consent to and approve the adoption by the Board of a resolution or resolutions modifying or amending any terms or provisions contained herein; provided, however, that this resolution may not be so modified or amended in any manner which:

1. Changes the maturity of any Outstanding Bond.
2. Changes the interest rate on any Outstanding Bond.
3. Reduces the principal or redemption premium payable on any Bond.
4. Modifies the principal, interest or redemption premium payment terms on any Bond or imposes any adverse conditions on such payments.
5. Adversely affects the rights of the Owners of less than all Bonds then Outstanding.

Whenever the County shall propose to amend or modify this resolution, it shall cause notice of the proposed amendment to be mailed by first class mail, postage prepaid to each Owner. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file with the Clerk for public inspection.

If, within one (1) year from said mailing, there shall be filed with the Clerk an instrument or instruments executed by the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding referring to the proposed amendatory resolution described in said notice and specifically consenting to and approving its adoption, the Board may adopt such amendatory resolution and such resolution shall become effective.

If the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding at the time of the adoption of such amendment, or the predecessors in title of such Owners, shall have consented to the adoption thereof as herein provided, no Owner shall have any right or interest to object to such amendment's adoption or to object to any terms or provisions therein contained or to the operation thereof or to enjoin or restrain the County or the Board from taking any action pursuant thereto.

Any consent given by the Owner shall be irrevocable for six (6) months from the mailing date above provided for and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked after such six (6) months' period by the Owners who gave such consent or by a successor in title by filing a notice of revocation with the Clerk but such revocation shall not be effective if the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding have, prior to the attempted revocation, consented to and approved such amendment.

The fact and date of any consent or revocation's execution may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to acknowledge deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Bonds held by any person executing such instrument and the date of such person's holding the same may be proved by a certificate executed by the Bond Registrar showing that on the date therein mentioned such person was shown as the Owner of the Bonds on the Bond Register.

Section 17. Rights of Reserve Fund Guarantors;  
Rights of Bond Insurers.

A. If any Bond's principal or interest shall be paid by a Reserve Fund Guarantor, (i) the pledge of the Net Revenues and all of the County's covenants, agreements and other obligations to the Owner hereunder shall continue to exist and such Reserve Fund Guarantor shall be fully subrogated to all of such Owner's rights in accordance with the respective Agreement.

B. For all purposes hereunder, the County may treat the consent of any Bond Insurer as the consent of the Owners of any Bonds then insured by such Insurer, if such Bond Insurer's insurance is then in effect and if the credit of said Insurer is then such that Bonds insured by it are rated, because of such insurance, in one of the two highest grades of municipal securities by one of the two most widely recognized rating agencies then rating municipal bond credits.

Section 18. Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value. With respect to all Funds and Accounts, valuation shall occur annually and immediately upon a withdrawal from the Reserve Fund.

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

<u>Name of Series</u>	<u>Prior Redemption Date</u>
Series 1984	July 1, 1994
Refunding Series 1985	July 1, 1993
Project of 1985	July 1, 1995
Project of 1986	July 1, 1995
Series of 1988	July 1, 1997

Bonds of any of the above-mentioned series maturing on or before the prior redemption date will be paid in the normal manner.

Section 20. Defeasance. Payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or Government Obligations, or both. The moneys and the maturing principal and interest income on such Government Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent certified public accountant, a firm of such accountants or an actuary, or firm of actuaries, or other experts in the field who shall calculate the sufficiency of the subject moneys and Government Obligations to pay when due the principal or redemption price of and interest on such Bonds. The moneys and Government Obligations shall be held by a trustee irrevocably in trust for the Owners of such Bonds solely for the purpose of paying the principal or redemption price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities, if applicable.

If payment of Bonds is so provided for, the Trustee shall mail a notice so stating to each Owner of a Bond so provided for.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the County in respect of such Bonds shall nevertheless continue but the Owners thereof shall thereafter be entitled to payment only from the moneys or Government Obligations deposited with the trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with the provision for payment of such Bond, the interest payable on any Bond is thereby made subject to federal income taxes. The trustee and the County may rely upon an opinion of a nationally recognized bond counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this Section will not be breached by so providing for the payment of any Bonds.

Section 21. Bond Purchase Agreement Form; Authorization to Execute. A Bond Purchase Agreement substantially in the form attached hereto and marked Exhibit E is approved and the Chairman is authorized to execute such Bond Purchase Agreement, and Clerk to attest, and to cause such Bond Purchase Agreement to be delivered to the Purchasers upon receiving and approving the Offer. The Bond Purchase Agreement, when so executed and delivered, shall evidence the County's agreement to sell the Series 1991 Bonds to the Purchasers in accordance therewith.

The County Treasurer is authorized and directed to cause the Series 1991 Bonds to be authenticated by the Bond Registrar and to be delivered to or upon the Purchaser's order upon payment therefor and satisfaction of all conditions for delivery thereof in accordance with the terms hereof and of the Bond Purchase Agreement.

Section 22. Authorization of Certain Agreements.

A. For and on behalf of the County, the Chairman, the Treasurer and the Clerk (as applicable) are authorized and directed to execute, attest and deliver the following agreements:

1. The Depository Trust Agreement (see Exhibit B hereto) and
2. The Bond Registrar and Paying Agent Agreement (see Exhibit C hereto),

each in substantially the form attached hereto with such changes as may be approved by such officials whose signatures thereon shall be conclusive evidence of such approval.

B. The Chairman is authorized to execute and deliver an Agreement pertaining to the Series 1991 Bonds between the County and the initial Reserve Fund Guarantor.

Section 23. Approval of Official Statement. The use and distribution of the Preliminary Official Statement pertaining to the original issuance of the Series 1991 Bonds in the form now on file with the Clerk is approved and is "deemed final" (except for permitted omissions) by the County as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1). Either the Chairman or the Finance Director is authorized on behalf of the County and in such person's official capacity, to complete the Official Statement relating to the Series 1991 Bonds with such modifications, changes and supplements as may be necessary to conform the Official Statement to the terms set forth in the Series 1991 Bond Purchase Agreement. Such officers shall approve or authorize and certify, or otherwise represent, that such official statement is the final official statement for the Series 1991 Bonds for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(3) and (4).

The Chairman is further authorized to use and distribute, or authorize the use and distribution of, the final official statement and supplements thereto in connection with the original issuance and sale of the Series 1991 Bonds as may in the Chairman's judgment be necessary or appropriate.

The Chairman and the Clerk are also authorized to sign and deliver, on behalf of the County, and in their official capacities, such certificates in connection with the accuracy of the final official statement and any amendment thereto as may, in their judgment, be necessary or appropriate.

Section 24. Federal Tax Law Covenants. In consideration of the purchase and acceptance of the Bonds by the Owners and, as authorized by Arizona Revised Statutes, Title 35, Chapter 3, Article 7, and in consideration of retaining the exclusion of interest income on the Bonds from gross income for federal income tax purposes, the County covenants with the Owners neither to take nor fail to take any action which action or failure to act is within its power and authority and which would result in the interest income on the Bonds becoming includable in gross income for federal income tax purposes under either laws existing on the date of issuance of the Bonds or such laws as they may be modified or amended.

The County agrees that it will comply with such requirement(s) and will take any such action(s) as in the opinion of a nationally recognized bond counsel ("Bond Counsel") are necessary to prevent interest income on the Bonds becoming includable in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained herein; to pay to the United States of America any required amounts representing rebates of investment income relating to the Bonds; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with proceeds of the Bonds; and limiting the use of Bond proceeds.

To determine which Series 1991 Bonds are issued for advance refunding purposes and which are issued for prior redemption of the Series 1980 Bonds, the Finance Director is authorized and directed to allocate the various maturities of the Series 1991 Bonds to the Bonds Being Refunded. Such allocation shall be deemed binding upon the County and this Board. Such allocation shall be set forth in the County's no arbitrage statement executed and delivered with respect to the Series 1991 Bonds.

Section 25. Ratification of Actions. All actions of the officers and agents of the County that conform to the purposes and intent of this resolution and which further the issuance and sale of the Bonds as contemplated by this resolution, whether heretofore or hereafter taken, shall be

and are ratified, confirmed and approved. The proper officers and agents of the County are authorized and directed to do all such acts and things and to execute and deliver all such documents for the County as may be necessary to carry out the terms and intent hereof.

Section 26. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Adopted and approved this 18th day of June, 1991.

Reg Morrison  
Chairman, Board of Supervisors

ATTEST:

Jane S Williams  
Clerk, Board of Supervisors

APPROVED AS TO FORM:

Frederick J. [Signature]  
Bond Counsel

#### CERTIFICATION

I hereby certify that the foregoing Resolution No. 1991-138 was duly passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on June 18, 1991, and the vote was 4 aye's and 1 nay's and that the Supervisors were present thereat.

Jane S Williams  
Clerk, Board of Supervisors of  
Pima County, Arizona



this bond for payment at the designated office of the paying agent, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona; provided, however, that no such surrender shall be required if this bond is participating in the book-entry system pursuant to the resolution mentioned in the reverse hereof.

See the reverse side of this bond for additional provisions.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this bond exist, have occurred and have been performed.

The County has caused this bond to be executed by the Chairman of its Board of Supervisors and attested by its Clerk, which signatures may be facsimile signatures. This bond is not valid or binding upon the County without the manually affixed signature of an authorized representative of the registrar.

PIMA COUNTY, ARIZONA

(Facsimile)  
Chairman

ATTEST:

(Facsimile)  
Clerk

(SEAL)

DATE OF AUTHENTICATION AND REGISTRATION: \_\_\_\_\_

AUTHENTICATION CERTIFICATE

This bond is one of the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, described in Resolution No. 1991-\_\_\_ mentioned on the reverse hereof.

THE VALLEY NATIONAL BANK OF ARIZONA,  
as Registrar

By \_\_\_\_\_  
Authorized Representative

(Form of Reverse Side of Bond)

This bond is one of a series of bonds in the aggregate principal amount of \$\_\_\_\_\_ of like date, tenor and effect except as to amount, rate of interest, number and maturity date, issued pursuant to the Constitution and laws of the State of Arizona and Resolution No. 1991-\_\_\_\_\_ adopted by the Board of Supervisors of Pima County on \_\_\_\_\_, 1991 (the "Bond Resolution"), for the purpose of providing funds with which to advance refund all of the County's outstanding sewer revenue bonds and to pay all legal, financial consultant, engineering and other necessary costs in connection therewith.

This bond and the series of which it is a part are payable as to both principal and interest from and secured by a prior and paramount lien and pledge of the revenues, proceeds and receipts to be derived by the County from the operation of the County's sewer system (the "System"), subject only to the payment of the reasonable and necessary cost of operating and maintaining the System and any payments with respect to prior lien bonds. For purposes of this bond the term "prior lien bond" shall refer to: (i) Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980, (ii) Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984, (iii) Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985, (iv) Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986, (v) Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986), dated October 1, 1986, and (vi) Pima County, Arizona, Sewer Revenue Bonds, Series of 1988, dated March 1, 1988; which were refunded by the series of which this bond is a part. Reference is made to the Bond Resolution for a more complete statement of the provisions made to secure payment hereof, the revenues from which and conditions under which this bond is payable, statements of the terms under which the Bond Resolution may be modified, and the general covenants and provisions pursuant to which this bond is issued. Said income and revenues are required by the Bond Resolution to be fully sufficient to pay the cost of operating and maintaining the System and to pay the principal of and interest on this Bond promptly as each becomes due and payable. The County has covenanted and does hereby covenant that it will fix and impose such rates and charges for the System's services and will collect and account for sufficient revenues to pay promptly the principal of and interest on this bond and all bonds on a parity with this bond. This bond and the interest hereon are enforceable exclusively from the revenues pledged thereto in the Bond Resolution and no holder hereof shall have the right to compel any exercise of the taxing power of the County to pay this bond or the interest hereon. This bond does not constitute an indebtedness or pledge of the County's general credit within

the meaning of any constitutional, charter or statutory provisions relating to the incurring of indebtedness.

Bonds maturing on or before July 1, 19\_\_, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 19\_\_, are subject to call for redemption prior to maturity, in whole at any time or in part, on July 1, 19\_\_, or on any interest payment date thereafter, at the option of the County, by the payment of a redemption price equal to the principal amount of each bond called for redemption plus accrued interest to the date fixed for redemption plus a premium payable from any source lawfully available therefor, the premium (calculated as a percentage of the principal amount of the bonds to be redeemed) to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__ and thereafter without premium.	

The bonds may be redeemed in any order of maturity designated by the County and only in integral multiples of \$5,000. If less than all of the bonds outstanding of a single maturity are to be redeemed, the bonds in that maturity to be redeemed shall be selected by lot in such manner as the registrar may determine.

Bonds of the series of which this bond is one maturing on July 1, \_\_\_\_ are subject to mandatory redemption, by lot to be selected by the Paying Agent at a redemption price of par and accrued interest to the date fixed for redemption, without premium on July 1 of the years and in the amounts as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
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Notice of redemption of any bond will be mailed to the registered owner of the bond or bonds being redeemed at the address shown on the bond register maintained by the bond registrar, such mailing to be not more than sixty (60) nor less than thirty (30) days prior to the redemption date. Failure to properly give notice of redemption shall not affect the redemption of any bond for which notice was properly given.

The registrar or paying agent may be changed by the County without notice.

This bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the registrar, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona, upon surrender and cancellation of this bond, but only in the manner and subject to the limitation and upon payment of the charges provided in the Bond Resolution. Upon such transfer a new bond or bonds of the same aggregate principal amount, maturity and interest rate will be issued to the transferee in exchange. The registrar may require an owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes required by law. The County has chosen the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day) as the record date for this series of bonds. Should this bond be submitted to the registrar for transfer during the period commencing after the close of business on the record date and continuing to and including the next subsequent interest payment date, ownership will be transferred in the normal manner but the interest payment will be made payable to and mailed to the registered owner as shown on the registrar's books at the close of business on the record date.

The registrar may but need not register the transfer of a bond which has been selected for redemption and need not register the transfer of any bond for a period of fifteen (15) days before a selection of bonds to be redeemed; if the transfer of any bond 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 will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the bond or bonds.

Bonds of this issue are issuable only in fully registered form in the denomination of \$5,000 each or integral multiples of \$5,000.

The County, the registrar and the paying agent may treat the registered owner of this bond as the absolute owner for the purpose of receiving principal, interest and any premium and for all other purposes and none of them shall be affected by any notice to the contrary.

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The following abbreviations, when used in the inscription on the face of this bond, shall be construed as

though they were written out in full according to applicable laws or regulations:

TEN COM-as tenants in common	UNIF GIFT/TRANS MIN ACT-
TEN ENT-as tenants by the	_____Custodian_____
entireties	(Cust) _____(Minor)
JT TEN-as joint tenants with	under Uniform Gifts/Transfers
right of survivorship	to Minors Act _____
and not as tenants	(State)
in common	

Additional abbreviations may also be used though not in list above

FORM OF ASSIGNMENT

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

(Name and Address of Transferee)

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

Dated \_\_\_\_\_

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

Signature Guaranteed:

\_\_\_\_\_  
Commercial bank, trust company or member of a national securities exchange

# Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona }  
County of Pima } ss

*I, Jane S. Williams, do hereby certify that I am the duly appointed, qualified, and acting Clerk of the Board of Supervisors of Pima County, Arizona.*

*I further certify that the attached resolution entitled*

RESOLUTION NO. 1991-182

RESOLUTION AMENDING RESOLUTION NO. 1991-138 AND  
RATIFYING THE ADOPTION OF RESOLUTION NO. 1991-138  
AS HEREIN AMENDED.

(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 August, 19 91, 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* 23rd *day of* August, 19 91.

*Jane S. Williams*  
Clerk

RESOLUTION NO. 1991-~~132~~

RESOLUTION AMENDING RESOLUTION NO. 1991-138 AND RATIFYING THE ADOPTION OF RESOLUTION NO. 1991-138 AS HEREIN AMENDED.

WHEREAS, the Board of Supervisors of Pima County, Arizona, has heretofore adopted its Resolution No. 1991-138 authorizing issuance of Pima County Sewer Revenue Refunding Bonds, Series 1991; and

WHEREAS, the County has now been presented with a commitment to purchase a reserve fund guaranty from Financial Guaranty Insurance Company ("FGIC"); and

WHEREAS, in order to purchase the reserve fund guaranty from FGIC, Resolution No. 1991-138 must be amended to conform as a condition to the issuance of a reserve fund guaranty by FGIC;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Resolution No. 1991-138 be amended to read as follows (fully capitalized words indicate new matter; strike throughs indicate deleted matter):

A. That Section 9 of Resolution No. 1991-138 be amended to read as follows:

Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) AND SAID RATES, FEES AND OTHER CHARGES SHALL ALSO BE ESTABLISHED AND MAINTAINED AT RATES SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR.

B. That Section 10B(2) be amended to read as follows:

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August SEPTEMBER 10, 1991, through December 10, 1991, ~~one-fifth (1/5)~~ ONE-FOURTH (1/4), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August SEPTEMBER 10, 1991, through June 10, 1992, ~~one-eleventh (1/11)~~ ONE-TENTH (1/10), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

C. That Section 12 be amended to read as follows:

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

FOR ALL PURPOSES OF SECTION 12, EXCEPT THE GIVING OF NOTICE OF DEFAULT TO BONDHOLDERS, THE BOND INSURER SHALL BE DEEMED TO BE THE SOLE HOLDER OF THE BONDS IT HAS INSURED FOR

SO LONG AS IT HAS NOT FAILED TO COMPLY WITH ITS PAYMENT OBLIGATIONS UNDER THE BOND INSURANCE POLICY.

D. That Section 13A(1) be amended to read as follows:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds AND SAID NET REVENUES MUST ALSO HAVE BEEN SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

E. That Section 16 of said Resolution No. 1991-138 be amended by adding a new Section C to read as follows:

C. ANY OTHER PROVISION OF THIS SECTION 16 TO THE CONTRARY NOTWITHSTANDING, NO AMENDMENT TO RESOLUTION NO. 1991-138 SHALL BECOME EFFECTIVE UNLESS AND UNTIL IT IS APPROVED BY ALL BOND INSURERS AND RESERVE FUND GUARANTORS APPLICABLE TO THE BONDS.

F. Section 18 of said Resolution No. 1991-138 is amended to read as follows:

Section 18. Method of Valuation; Frequency.  
In computing the amount in any fund or account, Permitted Investments shall be valued at their market value EXCLUSIVE OF ACCRUED INTEREST. With respect to all Funds and Accounts, valuation shall occur annually ON THE FIRST BUSINESS DAY OF EACH BOND YEAR and immediately upon a withdrawal from the Reserve Fund.

F. Section 19 of said Resolution No. 1991-138 is amended to read as follows:

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 89 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

<u>Name of Series</u>	<u>Prior Redemption Date</u>
Series 1984	July 1, 1994
Refunding Series 1985	July 1, 1993
Project of 1985	July 1, 1995
Project of 1986	July 1, 1995
Series of 1988	July 1, 1997

Bonds of any of the above-mentioned series maturing on or before the prior redemption date will be paid in the normal manner.

H. In all other respects Resolution No. 1991-138, as laid before this Board on June 18, 1991, shall remain the same. As so amended by this resolution, Resolution No. 1991-138 is hereby ratified. Further, this Board hereby incorporates all unamended provisions of said Resolution No. 1991-138 into this resolution as if set forth and as if adopted as a part hereof.

PASSED, ADOPTED AND APPROVED this 6th day of August, 1991.

ATTEST:

Jane S. Williams  
Clerk, Board of Supervisors

Reg Morrison  
Chairman, Board of Supervisors  
AUG 6 1991

APPROVED AS TO FORM:

Bill Coughlin for: Fred H. Rosefeld  
Bond Counsel

**CERTIFICATE**

I hereby certify that the foregoing Resolution No. 1991-~~138~~ was duly passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on August 6, 1991, and the vote was 3 aye's and 0 nay's and that the Supervisors were present thereat.

Jane S. Williams  
Clerk, Board of Supervisors of  
Pima County, Arizona

***Loan Resolution 2003-008 – Pima County  
Water Infrastructure Finance Authority of Arizona***

**Section 1: Resolution**

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Pima County (the "*Local Borrower*") a request for a loan (the "*Loan*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "*Act*") and the rules promulgated thereunder (the "*Rules*"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "*Loan Agreement*") to be executed by the Local Borrower and the Authority.

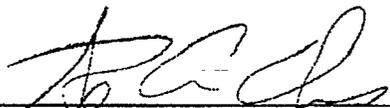
NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

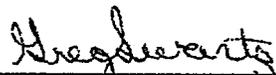
The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: June 18, 2003

By:   
Chairman

Attest:   
Executive Director

***Loan Resolution 2003-008 – Pima County  
Water Infrastructure Finance Authority of Arizona***

**Section 2: Project Summary**

**2.1 Project Number(s)**

CW-010-2003

**2.2 Project Priority List Ranking(s)**

Ranked #14 on CWRP 2003 Funding Cycle Priority List

**2.3 Project Description(s)**

In order to achieve the objectives mentioned above, Pima County plans on reconstructing the existing 1.5 MGD Wastewater Treatment Facility and expanding its capacity to 3.0 MGD. The project consists of constructing a new influent diversion structure, a 24-inch raw sewage line to the new Raw Sewage Lift Station, a 10-inch biosolids discharge line to the existing 42-inch Aviation Interceptor, a new screening system for pump protection consisting of dual two-stage self-cleaning bar screens, two screenings pumps, a screenings washer/compactor, aerated grit removal tanks, two grit pumps, two grit separators, a grit classifier, three raw sewage pumps located in a new influent pumping station building, an odor control system, about 2.3 miles of 20-inch screened raw sewage force main, 6-inch waste biosolids force main, 6-inch future non-potable water force main and 4-inch conduit.

Additionally, At the project also includes the construction of two new aeration tanks, two new pipe galleries, modification of the existing tanks, installation of six trains of ZENON membrane bioreactors, activated sludge recyle pumps, waste activated sludge pumps, skimmings pumps, six permeate pumps; six in-line ultraviolet disinfection units, a hypochlorite disinfection system, a 12-inch connection to the existing 20-inch City of Tucson Reclaimed Water low pressure main, a computerized instrumentation control system for all components, and the construction of a new plant administration and control building.

**2.4 Previous Board or Committee Actions**

October 16, 2002 – Board adopted Loan Resolution, #2002-031 – Pima County Wastewater Management Authority - \$20,000.

August 16, 2001 – Board adopted Amended and Restated Loan Resolution, #2000-019 – Pima County - CWRP \$61,180,286.

July 11, 2000 – Board adopted Loan Resolution, #2000-016 – Pima County – CWRP \$2,000,000.

June 24, 1997 – Board adopted Bond Resolution #97-005C – Pima County -- \$7,500,000

***Loan Resolution 2003-008 – Pima County***  
***Water Infrastructure Finance Authority of Arizona***

February 20, 1996 – Board adopted Bond Resolution #1996-BR-D – Pima County --  
\$11,313,349.55

**Project Finance Committee Recommendations**

June 3, 2003 – Project Finance Committee reviewed the Due Diligence summary and recommend approval by the Board.

**Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)**

**Financial Assistance Amount:** \$9,001,510

**Primary Repayment Source:** System Revenues

**Secondary Repayment Source:** NA

**Loan Term:** 20 years

**Frequency of Repayment:**

Semi-Annual     Monthly     Other:

**Loan Structure:** Standard Governmental Loan

**Debt Service Reserve Fund Requirements:** In accordance with existing loan covenants and the County's master bond resolution, WMD will maintain debt service reserves locally.

WIFA     Local - Separate     Local - Not Separate     Surety     None

**Repair and Replacement Fund Requirements:** WMD currently maintains a repair and maintenance fund.

Local - Separate     Local - Not Separate     None

**Requirements Prior to Loan Execution:**

**Require Legal Opinion:**             Yes     No

**Other:** None

**Requirements Prior to Construction:** None

**Requirement During Construction:** None

**Requirements Prior to Final Disbursements:** Approval of Construction Certificate.

**Loan Category:**

***Loan Resolution 2003-008 – Pima County  
Water Infrastructure Finance Authority of Arizona***

Qualified, Pledged     Qualified, Not Pledged     Not Qualified

Policy Exceptions: None

**Section 4: Technical Terms & Conditions (Section 7.2 of Due Diligence)**

**Observation Schedule:**

Schedule A     Schedule B     Schedule C

**Withholding Percentage:**

15%     10%     5%

Requirements Prior to Loan Execution: None.

Requirements Prior to Construction: None.

Prior Review and Approval of Construction Bids:  Yes     No

Require Construction Signs:  Yes     No

Other: None.

**Requirement During Construction:**

Prior Review of Changes in Project Scope:  No     Yes

Only if the change will deviate from the original scope of the project or result in an increase of the project cost above the original estimate.

Other: None.

**Requirements Prior to Final Disbursements:**

Require Plan of Operation:  No     Yes

Require Final Approval:  No     Yes

Approval of Construction Certificate.

Other: None.

Policy Exceptions: None.

***Loan Resolution 2003-008 – Pima County***  
***Water Infrastructure Finance Authority of Arizona***

**Section 5: Additional Notice & Reporting Requirements (Section 7.3 of Due Diligence)**

WIFA to generate Press Release:  Yes  No

Other: None.

## ***Resolution Addendum A2003-022***

### ***Water Infrastructure Finance Authority of Arizona***

#### **Section 1: Prior Board and Staff Actions**

**Borrower:** Pima County, Arizona

**Resolution Number:** 2003-008

**Date of Board Action:** June 18, 2003

**Loan Agreement Number:** To be determined (TBD). As of the Date of this Resolution Addendum, Pima County and WIFA have not executed a Loan Agreement authorized by Loan Resolution 2003-008.

**Loan Amount:** \$9,001,510

**Combined Interest and Fee Rate:** TBD

**First Principal Payment:** TBD

**Final Principal Payment:** TBD

**Payment History:** Not Applicable

#### **Section 2: Borrower Request**

Pima County requests an increase in financial assistance for Project CW 010-2003 from \$9,001,510 to \$15,240,000 (a \$6,238,490 increase). For further detail on the project, see Section 2.3 of the attached Resolution 2003-008.

Total project costs are estimated at \$35,000,000. The original loan amount authorized by Loan Resolution 2003-008 represented the portion of the total project cost Pima County would finance through a WIFA loan at that time. The remaining project costs are to be paid by Pima County.

This request to increase the authorized WIFA loan amount represents an increase in the WIFA loan financed portion of the project, and consequently a decrease in Pima County's project finance contribution. Overall project scope and cost remain unchanged.

Staff project net system revenues to produce at least 1.5 times coverage over the increased debt service requirements associated with the increased financial assistance amount.

#### **Section 3: Amendments to Loan Resolution 2003-008**

Increase the total financial assistance amount authorized by Loan Resolution 2003-008 from \$9,001,510 to \$15,240,000.

#### **Section 4: Board Action on Resolution Addendum**

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Pima County a request to modify terms and conditions of Loan Resolution 2003-008.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

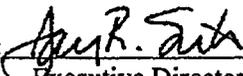
***Resolution Addendum A2003-022***  
***Water Infrastructure Finance Authority of Arizona***

The Authority's Executive Director is hereby authorized and directed to execute a Loan Agreement in an amount not to exceed \$15,240,000 in accordance with Section 3 of this Resolution Addendum.

This Resolution Addendum shall take effect immediately.

Dated: December 17, 2003

By:   
Chairman

Attest:   
Executive Director

***Loan Resolution 2004-012 – Pima County, Marana Expansion  
Water Infrastructure Finance Authority of Arizona***

**Section 1: Resolution**

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Pima County, Marana Expansion (the "*Local Borrower*") a request for a loan (the "*Loan*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "*Act*") and the rules promulgated thereunder (the "*Rules*"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "*Loan Agreement*") to be executed by the Local Borrower and the Authority.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: April 21, 2004

By : \_\_\_\_\_  
Chairman

Attest: \_\_\_\_\_  
Executive Director

***Loan Resolution 2004-012 – Pima County, Marana Expansion  
Water Infrastructure Finance Authority of Arizona***

**Section 2: Project Summary**

**2.1 Project Number(s)**

CW 043-2000

**2.2 Project Priority List Ranking(s)**

Ranked #31 on CWRP 2004 Funding Cycle Priority List

**2.3 Project Description(s)**

The Pima County Wastewater Management plans on addressing the treatment capacity issue by expanding and upgrading Marana's wastewater treatment facility in phases, from extended aeration package plants to an oxidation ditch and from 150,000 gallons per day to 1 million gallons per day or greater.

**2.4 Previous Board or Committee Actions**

February 20, 1996 - Board adopted Bond Resolution 1996-BR-D- \$11,313,349.55

June 24, 1997 – Board adopted Loan Resolution #97-005 - \$7,500,000

July 11, 2000 – Board adopted Loan Resolution #2000-016- CWRP \$2,000,000

August 16, 2001 – Board amended and restated Loan Resolution #2000-019 - CWRP \$61,180,286

October 16, 2002 – Board adopted Financial Assistance Resolution #2002-031- \$20,000

June 18, 2003 – Board adopted Loan Resolution #2003-008- CWRP \$9,001,510

December 17, 2003 – Board adopted Loan Resolution Addendum #A2003-022- CWRP increased Loan Resolution 2003-008 financial assistance amount to \$15,240,000

**2.5 Project Finance Committee Recommendations**

April 7, 2004 – Project Finance Committee reviewed the project due diligence and requested additional overall project budget detail and recommended full Board consideration.

***Loan Resolution 2004-012 – Pima County, Marana Expansion  
Water Infrastructure Finance Authority of Arizona***

**Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)**

**Increased Financial Assistance Amount:** \$585,388

**Primary Repayment Source:** System Revenues

**Secondary Repayment Source:** NA

**Loan Term:** 20 years

**Frequency of Repayment:**

Semi-Annual     Monthly     Other:

**Loan Structure:** Standard Governmental Loan with semi-annual interest, and annual principal payments.

**Debt Service Reserve Fund Requirements:** In accordance with existing loan covenants and the County's master bond resolution, WMD will maintain debt service reserves locally.

WIFA     Local - *Separate*     Local - *Not Separate*     Surety     None

**Repair and Replacement Fund Requirements:** WMD currently maintains a repair and maintenance fund.

Local - *Separate*     Local - *Not Separate*     None

**Requirements Prior to Loan Execution:**

**Require Legal Opinion:**             Yes     No

**Other:** None

**Requirements Prior to Construction:** None

**Requirement During Construction:** None

**Requirements Prior to Final Disbursements:** Approval of Construction Certificate.

**Loan Category:**

Qualified, Pledged     Qualified, Not Pledged     Not Qualified

**Policy Exceptions:** None

***Loan Resolution 2004-012 – Pima County, Marana Expansion***  
***Water Infrastructure Finance Authority of Arizona***

**Section 4: Technical Terms & Conditions (Section 7.2 of Due Diligence)**

**Observation Schedule:**

Schedule A  Schedule B  Schedule C

**Withholding Percentage:**

15%  10%  5%

**Requirements Prior to Loan Execution:**

The Finding of No Significant Impact (FNSI) must be issued prior to loan closing.

**Requirements Prior to Construction:**

**Prior Review and Approval of Construction Bids:**  Yes  No

**Require Construction Signs:**  Yes  No

**Other:** None

**Requirement During Construction:**

**Prior Review of Changes in Project Scope:**  No  Yes

Only if the change will deviate from the original scope of the project or result in an increase of the project cost above the original estimate.

**Other:** None

**Requirements Prior to Final Disbursements:**

**Require Plan of Operation:**  No  Yes

**Require Final Approval:**  No  Yes

**Other:** ADEQ's Approval of Construction certificate is required prior to final disbursement.

**Policy Exceptions:** None

**Section 5: Additional Notice & Reporting Requirements (Section 7.3 of Due Diligence)**

**WIFA to generate Press Release:**  Yes  No

**Other:** None

***Loan Resolution 2004-013 – Pima County, Tanque Verde Interceptor  
Water Infrastructure Finance Authority of Arizona***

**Section 1: Resolution**

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Pima County, Tanque Verde Interceptor (the "*Local Borrower*") a request for a loan (the "*Loan*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "*Act*") and the rules promulgated thereunder (the "*Rules*"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "*Loan Agreement*") to be executed by the Local Borrower and the Authority.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: April 21, 2004

By : \_\_\_\_\_  
Chairman

Attest: \_\_\_\_\_  
Executive Director

# ***Loan Resolution 2004-013 – Pima County, Tanque Verde Interceptor Water Infrastructure Finance Authority of Arizona***

## **Section 2: Project Summary**

### **2.1 Project Number(s)**

CW 045-2004

### **2.2 Project Priority List Ranking(s)**

Ranked #50 on CWRP 2004 Funding Cycle Priority List

### **2.3 Project Description(s)**

Pima County plans to address the capacity and erosion issues by building Tanque Verde Interceptor which will run from Craycroft to Tucson Country Club, as well as bank protecting the south side of the Tanque Verde River up stream of Craycroft. The project consists of installing 9,300 linear feet of 36" sewer from Craycroft Road to the northeasterly corner of the Tucson Country Club which includes approximately 6,600 feet of erosion protection for Tanque Verde Creek and Pantano Wash.

#### **Notes:**

A major portion of the project will be done in cooperation with the Pima County Flood Control Department as part of a long-range plan for channelizing and bank protecting both sides of the Tanque Verde Wash upstream of Craycroft Road. Along the south side the erosion protection will also serve to protect the new interceptor sewer.

This loan request will fund a small portion of the project design.

### **2.4 Previous Board or Committee Actions**

February 20, 1996 - Board adopted Bond Resolution 1996-BR-D- \$11,313,349.55

June 24, 1997 – Board adopted Loan Resolution #97-005 - \$7,500,000

July 11, 2000 – Board adopted Loan Resolution #2000-016- CWRP \$2,000,000

August 16, 2001 – Board amended and restated Loan Resolution #2000-019 - CWRP \$61,180,286

October 16, 2002 – Board adopted Financial Assistance Resolution #2002-031- \$20,000

June 18, 2003 – Board adopted Loan Resolution #2003-008- CWRP \$9,001,510

December 17, 2003 – Board adopted Loan Resolution Addendum #A2003-022- CWRP increased Loan Resolution 2003-008 financial assistance amount to \$15,240,000

***Loan Resolution 2004-013 – Pima County, Tanque Verde Interceptor  
Water Infrastructure Finance Authority of Arizona***

**2.5 Project Finance Committee Recommendations**

April 7, 2004 – Project Finance Committee reviewed the project due diligence and requested additional overall project budget detail and recommended full Board consideration.

**Section 3: Financial Assistance Terms & Conditions** (Section 7.1 of Due Diligence)

**Increased Financial Assistance Amount:** \$115,217

**Primary Repayment Source:** System Revenues

**Secondary Repayment Source:** NA

**Loan Term:** 20 years

**Frequency of Repayment:**

Semi-Annual     Monthly     Other:

**Loan Structure:** Standard Governmental Loan with semi-annual interest, and annual principal payments.

**Debt Service Reserve Fund Requirements:** In accordance with existing loan covenants and the County's master bond resolution, WMD will maintain debt service reserves locally.

WIFA     Local - Separate     Local - Not Separate     Surety     None

**Repair and Replacement Fund Requirements:** WMD currently maintains a repair and maintenance fund.

Local - Separate     Local - Not Separate     None

**Requirements Prior to Loan Execution:**

**Require Legal Opinion:**             Yes     No

**Other:** None

**Requirements Prior to Construction:** None

**Requirement During Construction:** None

**Requirements Prior to Final Disbursements:** Approval of Construction Certificate.

***Loan Resolution 2004-013 – Pima County, Tanque Verde Interceptor  
Water Infrastructure Finance Authority of Arizona***

**Loan Category:**

Qualified, Pledged     Qualified, Not Pledged     Not Qualified

**Policy Exceptions:** None

**Section 4: Technical Terms & Conditions** (Section 7.2 of Due Diligence)

**Observation Schedule:**

Schedule A     Schedule B     Schedule C

**Withholding Percentage:**

15%     10%     5%

**Requirements Prior to Loan Execution:** None

**Requirements Prior to Construction:**

**Prior Review and Approval of Construction Bids:**  Yes     No

**Require Construction Signs:**  Yes     No

**Other:** None

**Requirement During Construction:**

**Prior Review of Changes in Project Scope:**  No     Yes

Only if the change will deviate from the original scope of the project or result in an increase of the project cost above the original estimate.

**Other:** None

**Requirements Prior to Final Disbursements:**

**Require Plan of Operation:**  No     Yes

**Require Final Approval:**  No     Yes

**Other:** ADEQ's Approval of Construction certificate is required prior to final disbursement.

**Policy Exceptions:** None

**Section 5: Additional Notice & Reporting Requirements** (Section 7.3 of Due Diligence)

**WIFA to generate Press Release:**  Yes     No

**Other:** None

***Loan Resolution 2004-014 – Pima County, Santa Cruz Interceptor  
Water Infrastructure Finance Authority of Arizona***

**Section 1: Resolution**

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Pima County, Santa Cruz Interceptor (the "*Local Borrower*") a request for a loan (the "*Loan*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "*Act*") and the rules promulgated thereunder (the "*Rules*"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "*Loan Agreement*") to be executed by the Local Borrower and the Authority.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: April 21, 2004

By : \_\_\_\_\_  
Chairman

Attest: \_\_\_\_\_  
Executive Director

# *Loan Resolution 2004-014 – Pima County, Santa Cruz Interceptor Water Infrastructure Finance Authority of Arizona*

## **Section 2: Project Summary**

### **2.1 Project Number(s)**

CW 036-2004

### **2.2 Project Priority List Ranking(s)**

Ranked #49 on CWRP 2004 Funding Cycle Priority List

### **2.3 Project Description(s)**

Pima County plans on addressing the capacity, maintenance costs and odor issues by building the Santa Cruz Interceptor (SCI) which will run Franklin Street at Interstate I-10 to Prince Road where it will connect to the 78" interceptor tributary to the Roger Road wastewater treatment facility. The project consists of building approximately five miles of gravity interceptor (60" to 72") and will be implemented in three phases.

#### Phase I

The initial phase of the project was designed and installed in conjunction with the installation of a flood control soil cement bank protection. This 5,870-foot section of 72" & 66" pipe runs from one block north of Grant Road to just south of the Fort Lowell alignment.

#### Phase II

This phase of the project, approximately 9,500 linear feet, is divided into two sections:

**Section 1** has approximately 3,080 feet of 72" pipe and a 150 feet long 3-barreled siphon from just south of the Fort Lowell alignment to Prince Road.

**Section 2** is approximately 6,260 feet of 66" pipe from one block north of Grant Road in a circular route about 3,500 south of Grant Road. At that point a 30" pipe runs east under the freeway to connect to the existing Santa Cruz Central and Santa Cruz East Interceptors that together with several small pipe replacements, and a collector extension, 64", and 66" total 2,880 linear feet.

#### Phase III

This phase of the project is approximately 8,000 linear feet of 60", 64", and 66" pipe from 3,500 feet south of Grant Road to Franklin Street and includes a connection to a siphon across the Santa Cruz River and a bore under the freeway to join the existing 60" pipe.

## ***Loan Resolution 2004-014 – Pima County, Santa Cruz Interceptor Water Infrastructure Finance Authority of Arizona***

### **2.4 Previous Board or Committee Actions**

February 20, 1996 - Board adopted Bond Resolution 1996-BR-D- \$11,313,349.55

June 24, 1997 – Board adopted Loan Resolution #97-005 - \$7,500,000

July 11, 2000 – Board adopted Loan Resolution #2000-016- CWRF \$2,000,000

August 16, 2001 – Board amended and restated Loan Resolution #2000-019 - CWRF  
\$61,180,286

October 16, 2002 – Board adopted Financial Assistance Resolution #2002-031- \$20,000

June 18, 2003 – Board adopted Loan Resolution #2003-008- CWRF \$9,001,510

December 17, 2003 – Board adopted Loan Resolution Addendum #A2003-022- CWRF  
increased Loan Resolution 2003-008 financial assistance amount to \$15,240,000

### **2.5 Project Finance Committee Recommendations**

April 7, 2004 – Project Finance Committee reviewed the project due diligence and requested additional overall project budget detail and recommended full Board consideration.

## **Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)**

**Increased Financial Assistance Amount:** \$2,078,104

**Primary Repayment Source:** System Revenues

**Secondary Repayment Source:** NA

**Loan Term:** 20 years

**Frequency of Repayment:**

Semi-Annual     Monthly     Other:

**Loan Structure:** Standard Governmental Loan with semi-annual interest, and annual principal payments.

**Debt Service Reserve Fund Requirements:** In accordance with existing loan covenants and the County's master bond resolution, WMD will maintain debt service reserves locally.

***Loan Resolution 2004-014 – Pima County, Santa Cruz Interceptor  
Water Infrastructure Finance Authority of Arizona***

WIFA  Local - Separate  Local – Not Separate  Surety  None

**Repair and Replacement Fund Requirements:** WMD currently maintains a repair and maintenance fund.

Local - Separate  Local – Not Separate  None

**Requirements Prior to Loan Execution:**

**Require Legal Opinion:**  Yes  No

**Other:** None

**Requirements Prior to Construction:** None

**Requirement During Construction:** None

**Requirements Prior to Final Disbursements:** Approval of Construction Certificate.

**Loan Category:**

Qualified, Pledged  Qualified, Not Pledged  Not Qualified

**Policy Exceptions:** None

**Section 4: Technical Terms & Conditions** (Section 7.2 of Due Diligence)

**Observation Schedule:**

Schedule A  Schedule B  Schedule C

**Withholding Percentage:**

15%  10%  5%

**Requirements Prior to Loan Execution:**

The Finding of No Significant Impact (FNSI) must be issued prior to loan closing.

**Requirements Prior to Construction:**

**Prior Review and Approval of Construction Bids:**  Yes  No

**Require Construction Signs:**  Yes  No

***Loan Resolution 2004-014 – Pima County, Santa Cruz Interceptor  
Water Infrastructure Finance Authority of Arizona***

**Other:** None

**Requirement During Construction:**

**Prior Review of Changes in Project Scope:**  No  Yes

Only if the change will deviate from the original scope of the project or result in an increase of the project cost above the original estimate.

**Other:** None

**Requirements Prior to Final Disbursements:**

**Require Plan of Operation:**  No  Yes

**Require Final Approval:**  No  Yes

**Other:** ADEQ's Approval of Construction certificate is required prior to final disbursement.

**Policy Exceptions:** None

**Section 5: Additional Notice & Reporting Requirements** (Section 7.3 of Due Diligence)

**WIFA to generate Press Release:**  Yes  No

**Other:** None

**Water Infrastructure Finance Authority Requisition 1, Page 1 of 4**  
**Certifications & Signatures**  
**Pima County**  
**Loan No. 910064-04**

This disbursement request is made in accordance with the Loan Agreement between the Water Infrastructure Finance Authority and the Borrower.

**Borrower Certifications**

The Borrower hereby states as follows:

1. The amount requested is a proper cost of the project, which is unpaid or unreimbursed and which has not been the basis of any previous request.
2. The materials, equipment, labor or services represented by this request have been satisfactorily purchased, performed, or received and applied to the project and under the terms and provisions of the contracts related to the project, the Borrower is required to make such payments.
3. As of the date of this request, there does not exist any Event of Default under the Loan Agreement nor any condition which, with the passage of time, would constitute an Event of Default thereunder.
4. The undersigned are dully authorized to submit this disbursement request.

By \_\_\_\_\_

By \_\_\_\_\_

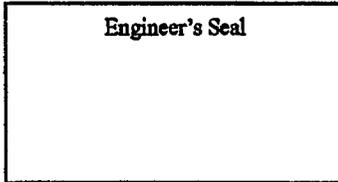
Dated \_\_\_\_\_

Dated \_\_\_\_\_

**Engineer Certifications**

The Engineer certifies that the amounts requested constitute proper costs of the project; that the materials, equipment, labor, and services represented by the invoices have been satisfactorily purchased, received, and applied to the project in accordance with contract documents; that payment is in accordance with the contract provisions and that the construction, to date, complies with the contract documents. This certification is not applicable to administrative costs.

By \_\_\_\_\_



Title \_\_\_\_\_

Dated \_\_\_\_\_

Firm \_\_\_\_\_

**Approvals by the Water Infrastructure Finance Authority**

By \_\_\_\_\_  
Financial Analyst

By \_\_\_\_\_  
Environmental & Program Services Manager

Date \_\_\_\_\_

Date \_\_\_\_\_

**Water Infrastructure Finance Authority Requisition 1, Page 2 of 4  
Cost Incurred Report and Disbursement Request**

**Pima County  
Loan No. 910064-04**

**Type of Request:** Final Partial **Period Covered:** from (m/d/y) to (m/d/y)

**Borrower Contact & Address:**

Pima County  
130 West Congress, 7th Floor  
Tucson, Arizona 85701

**Contact:** Director of Finance  
**Phone #:** (520) 740-8494  
**FAX #:** (520) 740-8171

**Payee** (If other than Borrower Contact. Must have WIFA pre-approval & W-9 on file with WIFA):

**Payee:**  
**Address:**

**Contact:**  
**Phone #:**  
**FAX #:**

*Attach statements, invoices, or other proof that the amount requested below is currently due or has been advanced by the Borrower.*

<b>Request by Budget Item (1)</b>	<b>Budget as per Loan (2)</b>	<b>Previously Disbursed (3)</b>	<b>This Request (4)</b>	<b>Total To Date (5) = (4) + (3)</b>	<b>Total as % of Budget (6) = (5) / (2)</b>
Planning	0.00				%
Design & Engineering	400,605.00				%
Legal/Debt Authorization	0.00				%
Financial Advisor	0.00				%
Land/System Acquisition	0.00				%
Equipment/Materials	0.00				%
Construction/Installation/Improvement	17,614,614.00				%
Inspection & Construction Management	0.00				%
Project Officer	0.00				%
Administration	0.00				%
Staff Training	0.00				%
Capitalized Interest	0.00				%
Other	0.00				%
<b>Total Requested</b>	<b>18,015,219.00</b>				<b>%</b>

**Water Infrastructure Finance Authority Requisition 1, Page 3 of 4**  
**MBE/WBE/SBRA Report**  
**Pima County**  
**Loan No. 910064-04**

**Reporting Requirements** (data entered in Columns A and B in the table below)

- Report on any procurement related to this disbursement request. "Procurement" means the acquisition through order, purchase, lease or barter of supplies, equipment, construction, or other services.
- Within Column A of the table below, report on any contractor, subcontractor, or vendor that provided goods or services related to this disbursement request.
- The total amount entered at the bottom of Column B must total the amount requested on page 2 of this request.

**Product/Service Codes** (codes for Column C in the table below)

3 = Construction      4 = Manufacturing      5 = Transportation      6 = Supplies & Equipment, Wholesale  
 7 = Supplies & Equipment, Retail      9a = Business Services      9b = Professionals Services  
 9c = Other Services      10 = Other/Misc

**Definitions** (definitions for terms in Columns D, E, and F in the table below)

- MBE - Minority Business Enterprise: A business concern that is at least 51% owned by one or more minority individuals and whose daily business operations are managed and directed by one or more of the minority owners.
- WBE - Women Business Enterprise: A business concern that is at least 51% owned by one or more women and whose daily business operations are managed and directed by one or more of the women owners.
- SBRA - Small business in a Rural Area: A business concern that is physically located outside any standard metropolitan statistical area.

**Disbursement Request by Contractor/Subcontractor/Vendor**

Contractor/Subcontractor/Vendor Name & Address (A)	\$ Amount (B)	Product/ Service Code (See Codes above) (C)	MBE (D)	WBE (E)	SBRA (F)
<b>Total of Column B must equal request on Page 2, Column 4 of this Requisition</b>					

**Water Infrastructure Finance Authority Requisition 1, Page 4 of 4**  
**Project Status Report**  
**Pima County**  
**Loan No. 910064-04**

**Section 1: Overall Project Progress**

1. Describe work completed since previous requisition:

2. Delays or Stop Work Notices? *(select one)*    No    Yes *(If yes, explain)*

3. Change Orders? *(select one)*    No    Yes *(If yes, explain)*

4. Is the project on schedule with the project design? *(select one)*    Yes    No *(If No, explain)*

5. Have you contacted WIFA for required observations?    Yes    No *(If No, explain)*

**Section 2: Materials or Equipment**

1. Did you request loan proceeds on Page 2 of this Requisition for equipment or materials?  
No    Yes *(If yes, describe equipment or materials.)*

2. Is project progress affected by a lack of equipment or materials?    No    Yes *(If yes, explain.)*

3. Will you request equipment or materials on the next Requisition?    No    Yes *(If yes, describe equipment or materials.)*

# ***Resolution Addendum A2005-007***

## ***Water Infrastructure Finance Authority of Arizona***

### **Section 1: Prior Board and Staff Actions**

**Borrower:** Pima County  
**Resolution Number:** 2004-012 & 014  
**Date of Board Action:** April 21, 2004  
**Loan Agreement Number:** 910064-04  
**Loan Amount:** \$18,015,219  
**Combined Interest and Fee Rate:** 3.310%  
**First Principal Payment:** 07/01/07  
**Final Principal Payment:** 07/01/24

### **Section 2: Borrower Request**

Pima County requests a \$1,952,112 increase in its loan amount from \$18,015,219 to \$19,967,331. The \$1,952,112 represents the County's remaining bonding authority for two projects previously approved and partially funded by WIFA; specifically, the County's Marana Wastewater Treatment Plant Expansion and Santa Cruz Interceptor projects.

The County will allocate the additional funding to reimburse expenditures previously paid from County Wastewater Management Department funds as follows:

- **Marana WWTP:** \$1,464,612 will be reimbursed for partial expenditures toward a 50,000 GPD package plant, a .05 MGD closed loop reactor facility, and overall treatment component design.
- **Santa Cruz Interceptor:** \$487,500 will be reimbursed for completed construction work on a 7,570-foot section of a large diameter (66" and 72") gravity interceptor.

Staff confirmed the current estimated debt service coverage ratio for the loan with the increase to be 2.6 times.

### **Section 3: Amendments to Loan 910064-04**

**Amendments to Loan Agreement 910064-04:** Amend Exhibit A to increase loan amount by \$1,952,112 to a total amount of \$19,967,331 and amend the project budget in Exhibit B to reflect the increased loan amount for construction, installation and improvement.

### **Section 4: Board Action on Resolution Addendum**

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Pima County a request to modify terms and conditions of Loan Agreement 910064-04.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

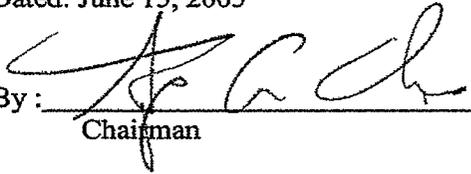
The Authority's Executive Director is hereby authorized and directed to amend Loan Agreement 910064-04 in accordance with Section 3 of this Resolution Addendum. Other than requirements

**Resolution Addendum A2005-007**  
**Water Infrastructure Finance Authority of Arizona**

amended by this Resolution Addendum, all requirements detailed Loan Agreement 910064-04 remain in effect.

This Resolution Addendum shall take effect immediately.

Dated: June 15, 2005

By:   
Chairman

Attest:   
Executive Director